BILLINGTON HOLDINGS PLC

Company number: 02402219

Report and Financial Statements
For the year ended
31 December 2018

BILLINGTON HOLDINGS PLC

Annual report and financial statements for the year ended 31 December 2018

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BILLINGTON HOLDINGS PLC

Chairman's Statement

I am pleased to provide my first statement as Chairman of the Company, having been appointed on 1 October 2018.

Billington has achieved another impressive performance with good progress across all our divisions. Revenue has increased 5.2 per cent to £77.3 million (2017: £73.5 million) and profit before tax has increased 11.4 per cent to £4.9 million (2017: £4.4 million) – both are record numbers for the Billington Group. The overall Earnings Per Share (EPS) for the year amounted to 33.6 pence compared with 29.1 pence in 2017, a 15.5 per cent increase. Our balance sheet remains strong with Net Assets of £23.5 million, underpinned by a strong gross cash balance of £9.3 million (2017: £8.1 million), providing a platform for further growth.

During the year our structural steel businesses, Billington Structures, Shafton Steel Services operated at near optimum output. Improved production techniques and contribution from the in house manufacture of products combined with an enviable orderbook leaves the businesses well placed to deliver another successful year in 2019.

Peter Marshall Steel Stairs achieved another record performance due to an increased sales effort and a focus on securing larger contracts with our partner clients. We continue to invest in the business and the order book is currently strong and ahead of the same period last year.

The easi-edge perimeter edge protection and fall prevention business had a very good year with further investment in its core product, improved utilisation and new customer wins. A significant capital expenditure programme has been underway which should help drive future growth.

hoard-it, which had a change of management in 2017, has reaped the benefits of new initiatives and recorded their best performance to date. With an excellent market position and plans to introduce new products, we expect another strong result this year.

It is pleasing that the Group continues to note a further improvement in the operating margin to 6.5 per cent (2017: 6.0 per cent). We continue to seek cost savings and enhanced utilisation where appropriate, and believe our current margins are sustainable. Margin pressures remain in the structural steel market, but expectations point to further growth in the years ahead driven by increasing demand.

Pension Scheme

The defined benefit pension (which was closed to future accrual in 2011) has performed satisfactorily in the period against a backdrop of a difficult equity market. At the year end a surplus of £1,630,000 along with a corresponding deferred tax liability of £277,000 has resulted in a net recognised surplus of £1,353,000.

Dividend

Due to the strong performance of the Group and our belief that the company is well positioned for continued sustainable growth, I am pleased to report that the Board is proposing a final dividend of 13 pence per share. This represents an increase of 13 per cent and is covered 2.58 times by earnings.

Liquidity and capital reserves

There has been a net cash inflow of £1.2 million during the year resulting in gross cash balances of £9.3 million at the year end. This will provide sufficient funds to cover projected working capital requirements for the Group as well as to fund future opportunities as they arise. Capital expenditure for 2019 is expected to show a modest level of increase as we continue to invest in our factories and on our sites ensuring that we continually improve on our operational performance.

Board movements and Our People

On behalf of myself and all my colleagues at Billington, I would like to extend our sincere thanks to Peter Hems who I succeeded in the role of Non-Executive Chairman on 1 October 2018. Peter has been associated with Billington for a significant length of time and we wish him the very best in his retirement.

On 14 January 2019, following the retirement of Steve Fareham, we were pleased to announce the appointment of Stephen Wardell as a new Non-Executive Director; his background as a senior audit partner at KPMG will be invaluable as we continue to ensure corporate governance best practice and comply with all financial reporting obligations. I would like to extend my thanks to Steve Fareham for his long and dedicated service to the Group and wish him well in his retirement.

Though I have only been in the post for a relatively short time, I am extremely impressed with the dedication and commitment shown by our people. We look forward to the year ahead and I would like to thank all of our workforce in advance of what we hope will be another year of progression for the Billington Group.

Economic Outlook

The UK's impending departure from the European Union (EU) and the associated uncertainty that this has demonstrated has undoubtably presented, and continues to present, challenges for the business.

The Group sources some products from Europe, either directly or indirectly via its network of suppliers and subcontractors. Pricing pressures along with the uncertainty of continued, uninterrupted supply of these products, are evident, and measures to mitigate the associated risks have been implemented wherever possible.

The Company is currently undertaking a large project in Belgium that is expected to be completed towards the end of 2019. A strategy to ensure the successful delivery of the project has been implemented to assist in reducing the risks of construction delay, input cost fluctuation and uncertainty of timing and quantum of sales revenues.

The Company remains alert to the constantly evolving political and economic uncertainties. Advice is sought where possible to assist in the development and execution of appropriate measures to both identify and address the risks this presents to all aspects of the business.

Current trading and outlook

Billington has a very proud heritage and tradition that is held in high regard in the steel and wider construction industry. I am delighted with the progress achieved in 2018 and also to report that trading in the current year has got off to a very positive start, with all divisions enjoying strong order books and we are seeing a robust pipeline of potential new work and opportunities.

The steel industry is not without its challenges and remains competitive, but we are in a strong position, with a good balance sheet. The quality of our forward order book and the skills and capacity within our business means we are well placed to continue on our sustainable growth trajectory.

Ian Lawson
Non Executive Chairman
8 April 2019

Operational Review

Billington Holdings has enjoyed a record year with strong growth across all our subsidiaries. I am delighted to report full year 2018 revenues are up 5.2 per cent at £77.3 million and profit before tax has further increased 11.4 per cent to £4.9 million. Earnings Per Share (EPS) grew 15.5 per cent to 33.6 pence and our gross cash balance increased 15.5 per cent to £9.3 million. This exceptional performance is a real credit to the tireless dedication of our employees and I would like to thank them all for their efforts.

Billington has delivered a diverse range of projects across a wide number of sectors, including education, high end residential, commercial, distribution, sport and leisure. The performance across all our divisions has been very pleasing with record order books and an encouraging future pipeline of new business opportunities.

We have continued to strengthen our market position against a competitive trading environment. Continued fluctuations in raw material prices for steel manufacturers remain evident and as volumes throughout the Group continue to increase, we remain constantly aware of the need to ensure short term volatility of input prices is mitigated wherever possible.

Billington Structures and Shafton Steel Services

Billington Structures is one of the UK's leading structural steelwork contractors with a highly experienced workforce capable of delivering projects from simple building frames to complex structures in excess of 7,000 tonnes. With facilities in Barnsley and Bristol and a heritage dating back over 70 years, the business is well recognised and respected in the industry with the capacity of processing over 35,000 tonnes of steel per annum.

The Shafton facility was acquired in 2015 and has been fully integrated into Group operations. Alongside the successful integration, two separate business areas have been developed on the site. The first undertakes activities for Billington Structures and has enjoyed a strong year driven by a solid order book. The second, Shafton Steel Services, offers a complete range of steel profiling services to a diverse and wide number of external engineering companies. Manufacturing efficiencies have been greatly enhanced across both business areas.

The Shafton facility provides further opportunities to increase the capacity of the current business units as well as allowing for the development of new, value added, complementary products and services to enhance the comprehensive offering of the Billington Group.

Buoyed by a solid order book, 2018 was a successful year for both divisions. Shortly before the year end the Company secured a number of large contracts, including the Company's largest contract to date, a data facility in Belgium. The value of Sterling against the Euro is expected to further generate opportunities in Europe and this is an area of growth the Company continues to actively pursue.

Billington Structures delivered a number of prestigious projects throughout 2018:

- Pinewood Studios, Buckinghamshire
- Aldi Distribution Centre, Darlington
- 125 Deansgate Commercial Development, Manchester
- Amazon Fulfilment Centre, Avonmouth
- London School of Economics (LSE), London
- Boeing Manufacturing Facility, Sheffield
- 7/8 Wellington Place, Leeds

Billington Structures was proud to be recognised for a number of national awards including the Structural Steel Design Awards 2018, Commendation for Greenwich Peninsula Energy Centre as well as the UK Tekla Awards 2018, Winner of Public Vote and Winner of Sports & Recreation Category for Coventry Leisure Centre & Water Park. Other highly respected accolades included being shortlisted for: Construction Enquirer Awards 2018; Top 10 Best Specialist Contractor to work with, and the Building Magazine Awards Specialist Contractor of the Year.

We are now in the fourth year of a five-year plan at Billington and as we evolve, so too will our aspirations for the future. Shafton operates on a 25-acre site offering the capacity to expand existing operations alongside opportunities to develop new processes. One such area which is being explored is to develop and introduce complementary and added value services, which have previously been subcontracted. This will enable the Group to offer a more comprehensive range of products and services ensuring a high standard of quality, control and will lead to enhanced margin opportunities.

Peter Marshall Steel Stairs

Based in Leeds, Peter Marshall Steel Stairs is a specialist design, fabrication and installer of bespoke steel staircases, balustrade systems and secondary steelwork. It has the capability to deliver stair structures for the largest construction projects and operates in sectors spanning retail, commercial offices, education, healthcare, rail and many more. Following on from the robust performance delivered in 2017, the business achieved another record result – this was largely due to increased sales efforts, improved operational performance and a focus on larger contracts and partnership clients.

Using the latest design and 3D modelling software, Peter Marshall's is able to deliver a fully integrated solution and has benefited from cross-selling initiatives across the Group. In a move which has aided capacity and enhanced workflow, we have significantly invested in the refurbishment of the office and reorganisation of the factory. We anticipate another strong year for the business in 2019, driven by a solid order book and a strong level of quality enquiries.

easi-edge

easi-edge is a leading site safety solutions provider of perimeter edge protection and fall prevention systems for hire within the construction industry. Health and safety is at the core of the business which operates in a legislation driven market.

Throughout 2018, the business has delivered another strong performance thanks to a positive trading environment, its ability to win new customers and by maintaining a good utilisation rate of its products. Following on from the progress made in 2017, easi-edge has invested a further £0.9 million in expanding its fleet of barriers, the company's core product, to ensure that it is able to accommodate its clients' requirements, further strengthening its market leading position.

As the industry moves towards taller barrier products, easi-edge have ensured they remain up-to-date with market standards by investing in this capability. It remains a continued focus to investigate, develop and introduce new products to the Company's portfolio. Current trading is good with enquiries at encouraging levels.

hoard-it

hoard-it produces a unique range of re-usable temporary hoarding solutions which are environmentally sustainable and available on both a hire and sale basis tailored to the requirements of its customers. Under new leadership the Company continues to thrive, and significant progress has been made in the year to establish the product as the number one choice for main contractors and developers in the construction industry.

We will look to continue its expansion by investing in additional products and targeting complementary construction market sectors. The business has started the year with encouraging momentum and a solid order book.

Health, Safety, Sustainability, Quality and the Environment

Billington remains committed to health, safety, sustainability, quality and the environment. Across the Group we continue to be actively involved in a number of initiatives both locally and nationwide. Following the introduction of the 'Be Selfish Be Safe' programme the accident record in the steel industry has shown good signs of improvement.

The safety and welfare of our employees and subcontractors is of paramount importance and is at the centre of all operations across the Group. Further strengthening of the Health and Safety department in the year will ensure that continued progress can be achieved in further enhancing working practices and improving safety culture at all facilities and our on site activities.

It is disappointing that there were two lost time reportable accidents in the year. Measures have been implemented to prevent reoccurrence of these isolated incidents.

Charity

Billington continues to be a huge advocate and supporter of both local and national charities and in 2017 established the Billington Charity Foundation in order to focus its efforts. Billington has actively supported many charity programs for social innovation, the fight against cancer, education and aiding sports facilities.

Throughout 2018 Billington has donated to the likes of Brain Tumour Research, Weston Park Cancer Charity, Macmillan Coffee Morning and the Alzheimer's Society. The Company has recently renewed its annual sponsorship of the RSPB Old Moor and sponsored a number of local sports clubs. Billington continued their efforts through sponsoring the Barnsley College Student Awards and University of Sheffield Engineering Department.

Billington actively supports a diverse range of charitable and social causes its employees are involved with. The Group encourages involvement in initiatives intended to improve the local areas in which our people live.

Our People

Our workforce is at the heart and drive of everything we do, and we continue to strive to make Billington the best employer. During the year the Group increased its workforce by 5 per cent to 379 as we continue to expand our product and service offering. In the months ahead we anticipate the employment of additional labour at our Shafton facility as we continue to invest in its capabilities and increase the range of activities performed on the site.

Attracting sufficient, experienced, quality people remains a challenge across the industry and the Group has instigated a number of training initiatives to assist in overcoming this issue. Billington maintains close relationships with local education providers, sponsoring both Barnsley College and the University of Sheffield Engineering Department. Billington regularly attends educational career days, hosts school visits to its sites and seeks to develop talent from a young age with its range of internal training programmes across all departments of the business.

Wage pressures continue to be an issue in the industry as companies compete for talent in a limited pool. To help mitigate against this Billington continues to actively promote its apprentice scheme, which is particularly focused on fabricator welders and technical staff. These apprenticeship programmes are geared to help the business maintain necessary skills and expertise to meet both its current and future requirements.

Billington is an advocate, promotor and contributor to the British Constructional Steelwork Association's CRAFT apprentice programme. The scheme has become the default path for the Company to train, educate and progress structural steelwork fabricators. The scheme ensures that the Company possesses the necessary and appropriate skills to enable it to deliver for its clients and be at the forefront of new processes and techniques, driving manufacturing efficiencies.

In recognition of our efforts to promote apprenticeships we were delighted to win the Made in Yorkshire Award for the best Manufacturing Apprenticeship/Training Scheme - an award the Company is particularly proud of.

Steel Industry

The British Constructional Steelwork Association ("BCSA"), the industry's representative body to which Billington is a leading contributor, reports that the overall UK consumption of structural steelwork increased 0.1 per cent in 2018 to 895,000 tonnes, compared to a period of decline the previous year. Expectations point to growth to 920,000 tonnes by 2021 with particular opportunities in the power and infrastructure sectors – both areas in which Billington is active.

The Group has a significant requirement for a wide range of steel products. Steel is sourced from a variety of steel producers and local stockholders. The Group ensures that strong relationships are maintained with its partner suppliers to ensure its products are of the highest quality and the service the Group receives is consistent with the requirements of the individual businesses. It is encouraging that we continue to note investment in the UK steel manufacturing sector to ensure the continued supply of the sectors products to the UK and worldwide markets.

Coking Coal, Iron Ore and 'scrap steel', steel manufacturing's primary input costs have continued to note volatility over the year. Billington employs a range of measures to enable the Company to reduce its short term exposure to fluctuations in steel prices.

Responsible sourcing as well as sustainable supply chains continue to be high on the agenda as we continue to push for and be advocates of sustainable procurement.

Prospects and Outlook

We are delighted with the progress we have achieved over the last five years. We are excited for the future and remain committed to implementing our continued programme of product development and enhanced service offering to our clients.

The level of secured work Billington takes forward into 2019 is unprecedented and ensures that we can look to the future with optimism. Undoubtably 2019 will present its challenges, however, we are confident it will be another successful and progressive year for the Group.

Billington operates across a wide number of sectors to allow short term fluctuations in work volumes, to be mitigated. The exceptional and diverse range of skills that exist within the business allow us to deliver a quality service for our clients in delivering some of the most technically challenging projects across the UK.

2018 saw the Company secure its largest project to date, in Europe. We are confident of delivering the project successfully and we remain optimistic that further opportunities within Europe can be secured as we maintain a focus in this area.

Billington continues to monitor both the challenges and opportunities which may result from the UK's exit from the European Union. To date we have seen no discernible impact on trading or enquiry levels.

2018 has been a successful year for Billington further cementing its position as one of the leading structural steelwork companies in the UK. Consistent, managed growth over recent years provides the Group with a solid platform to further enable it to progress and develop. The Group's strong financial position will ensure that as opportunities for development arise, we are able to capitalise and ensure further success.

Mark Smith
Chief Executive Officer
8 April 2019

BILLINGTON HOLDINGS PLC

Financial Review

Consolidated Income Statement

	2018	2017
	£'000	£'000
Revenue	77,266	73,518
Operating profit	5,001	4,428
Profit before tax	4,943	4,411
Profit after tax	4,049	3,504
Profit for shareholders	4,049	3,504
Operating profit margin	6.50%	6.00%
Return on capital employed	35.20%	31.40%
Earnings per share (basic)	33.6p	29.1p

Revenue has increased 5.2 per cent year on year primarily as a result of Billington Structures increasing its output, particularly in relation to its traditional structural steelwork activities. The Group has seen revenue increase 96 per cent during the five year period from 2013 as a result of consistent investment, and an improving market environment and, is well placed within its markets to deliver further growth over the medium term.

Forecasts indicate that the consumption of structural steelwork within the UK remained consistent at 895,000 tonnes. Projections indicate that consumption will increase by 0.5 per cent to 900,000 tonnes in 2019 and a further 2.3 per cent to 920,000 tonnes in 2020 allowing the Group to continue to look forward with optimism.

Operating margins have improved to 6.5 per cent in the year. Margins have steadily improved from 1.9% over the five year period to 2018. Capacity within the wider structural steel market has been increasing with significant investment in capital resources continues to be noted in the year across the industry. With the increase in market capacity it is anticipated that operating margins will remain at or around current levels.

Earnings per share improved from 29.1 pence in 2017 to 33.6 pence in 2018 representing an increase in the result for shareholders of 15.5 per cent.

Staff numbers as at December have increased 5 per cent, from the same period last year, to 379 as the Group continues to increase its activities across all divisions. Employment of additional labour, as the newly acquired Shafton facility is adapted for optimal use, is anticipated over the short to medium term.

The Shafton facility consists of two primary buildings, with the secondary building rented out to a tenant until May 2017. The future use of the secondary building remains under review and provides the Group with flexibility as to its possible future use.

Consolidated Balance Sheet

	2018	2017
	£'000	£'000
Non current assets	15,711	15,789
Current assets	28,849	24,775
Current liabilities	(19,609)	(16,670)
Non current liabilities	(1,500)	(1,918)
Total equity	23,451	21,976

Capital expenditure remained consistent with the prior year at £1,962,000 (2017: £2,112,000). The Group aims to continually ensure that capital expenditure is maintained at a level appropriate for the business and to ensure it remains at the forefront of technical advancements in its industry.

Consolidated Balance Sheet (continued)

Significant investments were made in the year relating to increasing and renewing the hire fleets at easi-edge and hoard-it, this accounted for £1,432,000 of the additions in the period.

From 2018 the Group has reverted from leasing its vehicles from an external third party to purchasing them through *Billington Fleet Management and leasing them to the respective entity within the Group. During the year* £133,000 *of the* capital additions related to Billington Fleet Management and it is anticipated that this will increase by circa £300,000 in 2019.

Capital expenditure is anticipated to have a modest increase in 2019. There is no programmed expenditure in respect of some aged machinery although it is noted that replacement parts are largely obsolete for these and, if required may necessitate replacement.

Within non-current assets, property, plant and equipment increased by £451,000, represented by capital additions of £1,962,000, depreciation charges of £1,502,000 and net disposals of £9,000.

The defined benefit pension scheme has performed satisfactorily in the period against a backdrop of a difficult equity market. At the year end, a surplus of £1,630,000 along with a corresponding deferred tax liability of £277,000 has resulted in a net recognised surplus of £1,353,000. The scheme was closed to future accrual in 2011.

The net deferred tax asset at the year end was £39,000 (2017: £168,000 liability), being a deferred tax asset of £316,000 (2017: £206,000) related to temporary timing differences net of a deferred tax liability of £277,000 (2017: £374,000) related to the defined benefit pension scheme surplus.

The increase of £4,074,000 in current assets included an increase of £999,000 in inventories, an increase of £1,827,000 in trade and other receivables, and an increase in the cash balance of £1,248,000.

Retention balances, contained within trade and other receivables outstanding at the year end, were £1,970,000 (2017: £2,540,000). It is anticipated that £1,560,000 will be received within one year and £410,000 in greater than one year.

The total rise of £2,939,000 in current liabilities principally comprised an increase in trade payables of £2,192,000 as the businesses enjoyed increased activity levels towards the latter part of the year. Combined with the increase in trade and other payables, there was an increase of £831,000 relating to the provision in respect of a forward currency exchange loss recognised in the Statement of Comprehensive Income as it represents an effective hedge against future contracted foreign currency cash flows.

A mortgage of £2,500,000 was taken over 10 years in 2015 to purchase the land and buildings at Shafton; £250,000 is reflected in current liabilities with £1,500,000 disclosed in non-current liabilities. Capital repayments are £250,000 per annum.

Total equity increased by £1,475,000 in the year to £23,451,000. The financial position of the Group at the end of the year remains robust and provides a platform from which the Group can further increase shareholder value.

Financial Review (continued)

Consolidated Cash Flow Statement

	2018	2017
	£'000	£'000
Result for shareholders	4,049	3,504
Depreciation	1,502	1,631
Capital expenditure	(1,962)	(2,112)
Tax paid	(843)	(986)
Tax per income statement	894	907
(Increase)/decrease in working capital	(882)	748
Additional pension contributions	-	(31)
Dividends paid	(1,385)	(1,205)
Net property loan movement	(250)	(484)
Others	125	58
Net cash inflow	1,248	2,030
Cash at beginning of year	8,063	6,033
Cash at end of year	9,311	8,063

Dividends were paid in the year at a cash cost of £1,385,000 (2017: £1,205,000), representing 11.5 (2017: 10.0) pence per share. The ability of the Group to convert profits into cash has been encouraging and provides the Group with cash balances with which to increase working capital associated with increased activity levels if required.

The Group remains committed to treating its suppliers and subcontractors fairly and to paying them in line with their agreed payment terms. It is the Group's policy not to withhold retentions from members of its valued supply chain.

Working capital was as shown below:

	2018	2017
	£'000	£'000
Inventories and work in progress	12,011	11,012
Accounts receivable	7,527	5,700
Accounts payable	(18,732)	(15,954)
Working capital at end of year	806	758

Cash balances at the year end totalled £9,311,000 and there were property and hire purchase loans outstanding of £1,750,000 representing a net cash position of £7,561,000. It is pleasing to note the satisfactory cash position of the Group. Consistent and positive trading performance, combined with effective working capital management, will ensure that cash balances are further maintained and improved while providing due reward to the Group's shareholders.

Business volumes are forecast to increase in 2019 and, with the programme of planned capital expenditure across the Group, a robust cash position in combination with adequate, agreed banking facilities will allow these objectives to be realised.

Pension Scheme

	2018	2017
	£'000	£'000
Scheme assets	7,797	8,515
Scheme liabilities	(6,167)	(6,317)
Surplus	1,630	2,198
Other finance income	(36)	30
Contributions to defined benefit scheme	-	31

To limit the Group's exposure to future potential pension liabilities the decision was taken to close the remaining Billington defined benefit pension scheme to future accrual from 1 July 2011. Whereas the value of the schemes assets at the year end has been impacted by the general level of the equity market the scheme remains in a positive position and leaves the scheme well placed to remain self sufficient moving forward.

The scheme's triennial valuation for period ended 31 March 2017 was completed 8 January 2018. The position of the scheme as at the date of the valuation was an asset position of £8,207,000 and a liability position of £6,944,000 resulting in a surplus of £1,263,000 as compared to a deficit of £445,000 in the previous valuation dated 31 March 2014.

Employee Share Option Trust (ESOT)

The Group operates an ESOT to allow employees to share in the future, continued success of the Group, promote productivity and provide further incentives to recruit and retain employees.

Options were issued based on seniority and length of service across all parts of the Group.

During the year the balance of 7,800 shares remaining in an old employee share plan were transferred to the ESOT. The old share scheme, created in 1991 was subsequently wound up in the period.

The charge included within the accounts in respect of issued options is £84,000 (2017: £73,000).

Trevor Taylor
Finance Director
8 April 2019

BILLINGTON HOLDINGS PLC

Directors, Secretary and Registered Office

Directors

Ian Lawson	Non Executive Chairman (appointed 1 October 2018)
Peter Hems	Non Executive Director (resigned 1 January 2019)
Mark Smith	Chief Executive
Trevor Taylor	Finance Director
Stephen Fareham	Non Executive Director (resigned 3 October 2018)
John Gordon	Non Executive Director
Alexander Ospelt	Non Executive Director
Stephen Wardell	Non Executive Director (appointed 14 January 2019)

Secretary

Darren Kemplay

Registered Office

Barnsley Road
Wombwell
Barnsley
South Yorkshire
S73 8DS

Registered in England : Company Number - 02402219

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

1. Results and dividends

The consolidated income statement is set out on page 30 and shows the result for the year.

A final dividend in respect of 2017 of 11.5 pence per share was paid on 6 July 2018. No interim dividends were paid in 2018. The directors propose to pay a dividend of 13.0 pence per share on 5 July 2019 to shareholders on the register on 7 June 2019.

2. Financial risk management objectives and policies

The Group uses financial instruments, other than derivatives, comprising borrowings, cash and various other items, such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Foreign currency risk

To mitigate the Group's exposure to foreign currency risks non-Sterling cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings on an individual company basis. The Group's exposure to interest rate fluctuations on its borrowings is managed on a Group basis through the use of floating facilities on individual company accounts.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. Primarily this is achieved through a Group treasury function which is charged with ensuring sufficient liquid funds are available to all companies as and when they are required. Short term flexibility is achieved by overdraft facilities.

Credit risk

The Group's principal credit risk arises from trade receivables. In order to manage credit risk the directors set credit limits for customers based on payment history and third party credit references. In addition, bad debt insurance is maintained to reduce the risk to an acceptable level (see notes 12 & 17 to the consolidated financial statements).

3. Directors

During the year Mr I.Lawson took over the position of Non Executive Chairman from Mr P.Hems who subsequently retired. Furthermore, Mr S.Fareham resigned his position as a Non Executive director during the year and Mr S.Wardell was appointed as a Non Executive director on 14 January 2019.

In accordance with the Articles of Association Mr T.M.Taylor and Mr M.Smith retire and offer themselves for re-election.

The interests of the directors at the year end in shares of the company were as follows:-

	Billington Holdings Plc ordinary 10p shares			
	31 December 2018		1 January 2018	
	Shares	Options	Shares	Options
Ian Lawson	-	-	-	-
Mark Smith	5,000	41,853	5,000	34,917
Trevor Taylor	6,000	40,382	6,000	34,917
John Gordon	307,270	-	307,270	-
Alexander Ospelt	6,500	-	6,500	-
Stephen Wardell	-	-	-	-

4. Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have elected to prepare parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" .

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable International Financial Reporting Standards as adopted by the European Union/UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware and;

- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

5. Going concern

The consolidated financial statements have been prepared on a going concern basis. The directors have taken note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements and have considered a number of factors.

The financial position of the Group, its trading performance and cash flows are detailed in the Financial Review and they demonstrate the overall adequate net cash position of the Group.

In addition, section 2 (above) sets out our financial risk management objectives and policies and how short term liquidity is maintained within the Group. The directors are confident that further funding facilities would be available should they be required in the future. As a consequence the directors believe that the parent company and Group are well placed to manage their business risks successfully despite the uncertainties surrounding the current general economic outlook associated with Brexit.

The directors have a reasonable expectation that the parent company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

6. **Auditor**

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with Section 489 (4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

This report was approved by the Board and signed on its behalf.

Darren Kemplay
Secretary
Billington Holdings Plc
Company Number - 02402219
8 April 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

1. Business review

The business model of the Group is to operate as a designer, manufacturer and installer of structural steelwork through its subsidiaries Billington Structures Limited and Peter Marshall Steel Stairs Limited, and as a supplier of safety solutions and barrier systems to the construction industry, through its subsidiary easi-edge Limited as well as providing site hoarding systems through hoard-it Limited. The parent Company acts as a holding company providing management services to its subsidiaries.

On a Group basis the business review and future prospects for the business are contained within the Operational Review and Financial Review (see pages 3 to 10), including an analysis using key financial and non-financial performance indicators.

2. Key non-financial performance indicators

	2018	2017
Production efficiency	110%	114%
Hire stock utilisation	90%	84%
Accidents (own employees) - reportable	2	1
Employee numbers	379	360
Apprentice intake	8	6
Staff turnover (excluding restructuring)	14%	10%

3. Principal Risks and Uncertainties

Contract risk

The principal risk for each of the subsidiaries is contract risk, either agreeing inappropriate contract terms at the beginning of the contract process or failing to deliver contractual obligations. In order to mitigate these risks, significant senior management effort is invested in the agreement of contractual terms and the monitoring of performance against budget.

Health and safety

Health and safety within the Billington Group is of paramount importance. The protection of both our employees and those who may be affected by our business remains a key concern and priority. The ethos throughout the Group is to ensure the welfare of all employees is at the forefront of every decision and not only to meet legal requirements but to go far beyond.

Economic environment

The economic environment in which the Group trades continues to be challenging with both macro and micro economic pressures. These risks are largely outside of the control of the Group, however the directors monitor the economic environment closely and this informs decision making within the Group.

Credit risk

Current economic conditions have impacted on the Group's ability to maintain full credit protection on all customers. This will remain an important issue for the foreseeable future that will be constantly monitored to ensure the Group is not exposed to an unacceptable level of risk.

Failure to manage the above principal risks, as far as the Group is able, could lead to significant impact to profitability and to the reputation of the Group.

Foreign currency

Foreign currency cash flows present the Group with uncertainty relating to the timing and quantum of cash flow receipts. Where contract receipts are denominated in a foreign currency the risk associated with conversion into Sterling are mitigated through the utilisation of appropriate, effective hedging instruments.

4. Disabled persons

The Group's policy is to give sympathetic consideration, in both recruitment and training, to the problems of the disabled, and to assist them in developing their knowledge and skills to undertake greater responsibilities wherever possible.

5. Employee involvement

It is Group policy to disseminate relevant information about Group affairs amongst employees. The Group operates an Employee Share Ownership Plan (see note 10).

This report was approved by the Board and signed on its behalf.

Darren Kemplay
Secretary
Billington Holdings Plc
Company Number - 02402219
8 April 2019

How Billington is governed

Board Profile

Ian Michael Lawson
Non Executive Chairman
Appointed: 01/10/2018
Nationality: British

Ian is a fellow of both The Royal Institute of Chartered Surveyors (FRICS) and the Chartered Institute of Building (FCIOB) and has a wide range of skills and experience from working within the construction industry for more than 35 years.

Ian's previous experience includes being a main Board Director of a tier-1 Principal Contractor where he enjoyed a 13-year career and subsequently spent four years as Chief Executive Officer for a prominent Steelwork Contractor.

Peter Kenneth Hems
Non Executive Chairman (resigned 01/01/2019)
Appointed: 01/04/2007 (Appointed Non Executive Chairman: November 2013)
Chartered Accountant
Nationality: British

Qualified as a Chartered Accountant in 1973, and appointed as an audit and business advisory partner with Grant Thornton in 1979, resigned in March 2007 to take up appointment as Non Executive Chairman of Billington Holdings Plc.

Mark Smith
Chief Executive
Appointed: 01/01/2015
Chief Executive Officer
Nationality: British

Joined Billington Holdings Plc as Chief Operating Officer on 2 June 2014. Appointed as Chief Executive on the retirement of Steve Fareham (01/01/2015), who became a Non Executive Director.
An in depth knowledge of construction industry for over 30 years driving for growth and profit in competitive markets.

Trevor Michael Taylor
Finance Director
Appointed: 31/10/2011
Chartered Accountant
Nationality: British

Trevor is a fellow of the Institute of Chartered Accountants in England & Wales (ICAEW) and joined Billingtons in 2008 as Financial Controller from Allotts Chartered Accountants where he specialised in Construction and Financial Services.

John Stuart Gordon
Non Executive Director
Appointed: 01/04/2007
Barrister and Solicitor
Nationality: British

John practised as a barrister from 1989 until 1999 when he re-qualified as a solicitor. John is in private practice as a partner in Wilson Browne Solicitors, specialising in commercial and property litigation. He was appointed to the Board in 2007, and his legal-commercial background makes him a valuable member of the team.

Doctor Alexander Ospelt
Non Executive Director
Appointed: 01/01/2013
Nationality: Liechtensteiner

Dr. Alexander Ospelt has been in independent practice as a lawyer since 1997. In 1993 he worked as a staff member of Liechtenstein's Permanent Representation at the United Nations (UN) in New York. From 1994 until establishing his chambers in 1997 he practised at the Princely Court of Justice and in a reputable law firm in Liechtenstein. From 1987 to 1993 he studied at the Faculty of Law at St. Gallen University, Switzerland and went on to take a degree in European Law at ULB in Brussels, Belgium, Dr. Alexander Ospelt passed the Liechtenstein Bar Examination in 1997 and gained a Doctorate in Law from St. Gallen University, Switzerland in 1999.

Stephen George Thomas Fareham
Non Executive Director (resigned 03/10/2018)
Appointed: 01/01/2015
Chartered Structural Engineer
Nationality: British

BSc (Hons) MSc CENG FIStructE MIET CMIOSH. Chartered Health and Safety Practitioner. Former President of the British Constructional Steelwork Association (BCSA). Founder member of the Edge Protection Federation (EPF). Previously Chief Executive of Billington Holdings Plc from 24 October 2006 to 1 January 2015. Managing Director of Billington Structures Limited, structural steel subsidiary from 1991 to 2014.

Stephen John Wardell
Non Executive Director
Appointed: 14/01/2019
Chartered Accountant
Nationality: British

Stephen is a member of the Institute of Chartered Accountants in England & Wales (ICAEW), having qualified in 1988. He retired from KPMG in 2018 having been a partner for nearly 20 years, having held a number of management roles in the firm and was most recently a Senior Audit Partner working with FTSE 100 and 250 boards in an audit, advisory and relationship management capacity.

Throughout his career, Stephen has specialised in the construction and contracting sectors and was a member of the ICAEW Construction Sector Working Group back in 2014.

Introduction to Governance

The Board is authorised to manage the business of the Company on behalf of the shareholders and in accordance with the Company's Articles of Association. This is achieved by delegating responsibilities to the Board Committees and designating authority to manage the business to the Chief Executive Officer.

The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout the Group. The Board is currently comprised of two Executive Directors, three Non Executive Directors and a Non Executive Chairman.

The Board is accountable for the long-term success of the Group. The Directors meet on a regular basis and the Executive Directors are in continual discussion with the operational management to ensure that the business objectives of the Group are achieved. Non Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully challenged and supported.

To enable the Board to fulfil its duties, all Directors receive appropriate information and are allowed sufficient time to discharge their responsibilities effectively. Briefing papers are distributed by the Company Secretary in advance of Board Meetings and the members of the Group Board attend the monthly meetings of subsidiary companies. The Company's Non Executive Directors are considered by the Board to be independent of the management, and bring a breadth of experience which is welcomed by the Executive Directors.

Dealing Code

The Company follows the guidelines and procedures outlined in the Quoted Companies Alliance Code for Directors' Dealings, as applicable to AIM companies, and all Directors and relevant employees comply with this.

Communication with Shareholders

The Company encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

The Executive Directors undertake a programme of regular communication with institutional shareholders and with analysts covering the Group's activities, its performance and strategy.

The Executive Directors meet with institutional shareholders at least twice a year, after the half year and full year results are released.

The Board has sought to use the AGM to communicate with private investors and encourages their participation. The notice of the AGM, detailing all proposed resolutions, is notified to shareholders at least 20 working days before the meeting.

Culture and Ethics

Billington is committed to carrying out all dealings with clients, suppliers, sub-contractors and employees in a fair, open and honest manner. It is also committed to complying with all legislative and regulatory requirements that impinge on its business activities.

The Board provides strong leadership and ensures that the Company's ethical values are delivered through the business by regularly engaging with Directors and members of senior management, and consistently reviewing and updating policies.

Board

Each Board member has a direct responsibility to Billington, its employees and its investors, and aims to ensure the success of the Group.

The Board comprises a Non Executive Chairman, two Executive Directors and three Non Executive Directors.

The Board members have different backgrounds and bring a varied range of skills and experience to the Company. Between them, members have in depth knowledge of engineering, operations, finance, investment and Billington itself, ensuring there is strong balance of expertise at Board level.

Board Meeting Attendance

Peter Hems – 11/11
Mark Smith – 11/11
Trevor Taylor – 11/11
John Gordon – 10/11
Doctor Ospelt – 2/11
Stephen Fareham – 8/8
Ian Lawson – 3/3
Stephen Wardell - 0/0 - (appointed 14 January 2019)

Audit Committee

Chaired by Peter Hems

The Audit Committee comprises the Non Executive Directors and meets no less than twice each year.

It is normal practice to invite the Finance Director and the Chief Executive Officer to attend those meetings when considered appropriate.

The Audit Committee is responsible for the financial reporting of the Company and the Group, as well as detailed findings arising from external audit reviews.

The Committee reports to the Board on the Group's full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope of the external audit, the effectiveness, independence and objectivity of the auditors, taking into account relevant regulatory and professional requirements.

Remuneration Committee

Chaired by Peter Hems and latterly Ian Lawson

The Remuneration Committee comprises the Non Executive Directors and meets bi-annually, plus additional meetings when required. Its primary responsibility is to review salary levels, discretionary variable remuneration and the terms and conditions of service of the Executive Directors and other members of senior management where their financial remuneration package is above predetermined fiscal limits. The Remuneration Committee also reviews the compensation decisions made in respect of all other senior executives.

The Committee is also responsible for reviewing and determining, along with the Executive Directors, the overall Remuneration Policy applied to the Group and its subsidiaries. This includes the quantum of variable remuneration and the method of delivery, taking into account relevant regulatory and corporate governance developments.

The Remuneration Committee is authorised to seek any information it requires in order to perform its duties and obtain external legal or other professional advice that it considers necessary from time to time.

Sustainable and Responsible Business

Billington believes that operating in a sustainable and responsible manner is key to the growth and success of the Group. The Company has a number of policies in place that underpin its day-to-day operations, ensuring the safeguarding of both the environment and its stakeholders. This highlights Billington's fundamental commitment to delivering responsible business growth and development.

Environment

Overview

Due to the industry in which Billington operates, the Company recognises that its business activities can impact the wider environment, and therefore, has an obligation to reduce the direct negative impact of these activities. In order to manage the environmental risk, the Company has adopted policies that comply with the ISO BS EN 14001 - Environmental Management System.

The policies implemented by Billington manage the Company's environmental impact by reducing pollution, improving energy efficiency and reusing and recycling waste (where possible), in order to achieve its long-term environmental goals.

The Company also maintains the Gold Standard awarded by the British Constructional Steel Association ("BCSA") for meeting the requirements of the Steel Construction Sustainability Charter. The programme of sustainability objectives is reviewed annually as a means of demonstrating continuous improvement.

To ensure the successful implementation of the Company's environmental policies, Billington educates and informs its employees of the environmental impact of their work activities, and encourages staff to seek methods to reduce these impacts. It also provides employees with the necessary resources to deliver the Company's environmental objectives.

Additionally, the Group works in partnership with sub-contractors to identify and develop procedures to reduce the environmental impact of its onsite project work to a practicable minimum and ensure optimum efficiency of onsite operations.

The Board is responsible for continuously monitoring and reviewing these policies to ensure the programme is adapted and improved. This will ultimately save the Company money, improve brand reputation and reduce Billington's environmental footprint.

Social

Overview

Billington's stakeholders are an integral part of the business, they consist of: customers, suppliers, employees, shareholders, advisors and the local communities within which the Group operates.

Employees

Employee engagement, development and satisfaction is key to building a successful business. Billington invests in the development of its staff, adopting a number of policies aimed at recruiting and rewarding employees, including operating effective training and award-winning apprenticeship schemes.

Billington keeps an open line of communication with employees through regular briefings and the production of company literature including a bi-annual newsletter. Board members frequently attend management briefings with Group companies to ensure active engagement at all levels.

The Company implements an Employee Share Option Trust to allow employees to share in the future and continued success of the Group.

These policies help to foster employee communication and development, and help to deliver long-term Company growth.

Equal Opportunities

Billington is an equal opportunity employer, it adheres to the Equality Act 2010, and believes that all individuals should be treated fairly and equally. The Group strives to create a supportive and welcoming environment where diversity is valued and employees have the ability to progress and prosper without prejudice or discrimination.

Whistleblowing

The Group is committed to the highest standards of openness, honesty and accountability, and has a strong whistleblowing policy in place that allows all employees to confidently raise any concerns they have internally, without fear of reprisal. The Audit and Risk Committee continues to review these procedures and their effectiveness in order to positively enhance the working environment.

Health and Safety

Health and safety issues are monitored and reviewed on a monthly basis by senior management and the Board.

The Group has a well-developed management system for the internal and external control of health and safety which is managed by the Group Health & Safety Manager. This includes the use of risk management systems for the identification, mitigation and reporting of health and safety management information.

Billington's onsite teams have received numerous awards and recognition for their dedication to health and safety practices and the Company aims to continue this success.

Charity

The Company is actively involved in supporting local and national charities, and has established the Billington Holdings Charity Foundation through which it directs all charitable donations. It hosts charitable events for employees and donates funds to its local communities, sports teams and other worthwhile causes.

Training

Billington recognises the importance of training and development in maintaining and growing the success of the business, especially considering the skills shortage within the industry.

The Group has a long history of providing apprenticeship programmes throughout the business, and these form a key element of the overall recruitment and development strategy for Billington. As part of this strategy, the Company was instrumental in developing the BSCA CRAFT Certificate that covers training for a range of steelwork operations. The Company was recognised for its Apprenticeship/Training Scheme at the 2018 Made in Yorkshire Awards.

The Group also supports local colleges and universities, providing young people with knowledge of, and giving them an insight into, the industry.

Additionally, the Company provides various training opportunities to existing employees, enabling them to grow, develop and reach their full potential.

Modern Slavery

Modern slavery is a growing concern in the UK and, therefore, Billington considers its responsibilities regarding this with the upmost importance. It complies with the Modern Slavery Act 2015 and recognises its duties in relation to the Company's employees and supply chain. The Group implements a number of processes and procedures within the business and reviews these practices on an ongoing basis.

Governance

Overview

Good corporate governance is one of the Company's core values and, as an AIM listed entity, it is something that the Group takes very seriously, ensuring that the Board implements the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Sized Quoted Companies throughout the Company's operations.

Bribery and Corruption Policy

Billington has a strict, zero tolerance Bribery and Corruption Policy, which complies with the Bribery Act 2010, to ensure the integrity and transparency of the Group is maintained. All Group employees are informed of the Company's Bribery and Corruption Policy and the Board is responsible for ensuring that all sectors of the business comply with these obligations.

Ethical Principles

Overview

The Group values its reputation for ethical behaviour and has a set of values that are at the core of its business philosophy.

To conduct business ethically, maintaining the Company's integrity

The Company will communicate fully and openly in its dealings with employees, clients, suppliers and the community, ensuring Billington meets its obligations to the best of its ability. The Group will conduct its business operations in an honest, fair and transparent manner. The Company will strive to meet the highest industry standards across all Group companies and ensure all employees are in the position to successfully deliver these requirements.

To value the welfare of its employees and ensure they have a safe, healthy and productive working environment

Billington values its employees and understands they are key to delivering the sustained growth and development of the Company. The Group ensures every employee has the opportunity to fulfil their potential in a supportive and inclusive environment.

To be regarded as a good neighbour and operate in a sustainable manner

The Group is highly regarded in the industry and aims to maintain this positive reputation. It engages openly and effectively with stakeholders and communities, and adopts the highest standards of environmental and suitability guidelines to minimise its impact within the areas it operates.

Independent auditor's report to the members of Billington Holdings Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the group financial statements of Billington Holdings Plc for the year ended 31 December 2018, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the parent company statement of financial position, the parent company statement of changes in equity, the principal accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit and parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £249,000, which represents approximately 5% of the group's profit before taxation
- Key audit matters were identified as revenue and profit recognition in relation to construction contracts
- We have performed full scope audit procedures on the financial statements of Billington Holdings plc and on the financial information of all non-dormant subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	**How the matter was addressed in the audit – Group**
Revenue and profit recognition in relation to construction contracts There is a risk that revenue may be misstated due to the improper recognition of revenue. In respect of contractual arrangements with customers there is a risk that revenue is misstated as each contract's outcome and stage of completion requires management judgement. Also, there is a risk that the profit recognised in the year may not be appropriate and may have been manipulated. Profit is recognised on contracts when a particular percentage of the revenue associated with a contract has been received. Management also review all contracts at specific stages of completion at the year end to identify whether any additional profit could be reliably estimated and recognised. We therefore identified revenue and profit recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the revenue and profit recognition accounting policies are in accordance with International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers'; • Selecting a sample of contracts and assessing whether revenue has been recognised in accordance with the Group's accounting policies; • Selecting a sample of contracts and testing to original signed documentation, contract variations and valuation certificates prepared by either the Group's internal quantity surveyors or those appointed by the customer and agreed with the Group's internal quantity surveyors; • Identifying contracts at specific stages of completion to assess whether profit could be reliably estimated and whether profit has been appropriately recognised; and • Agreeing a sample of revenue transactions to application for payments and valuation certificates. The group's accounting policy on revenue and profit recognition, including the key sources of estimation uncertainty, are shown in the Principal accounting policies section and related disclosures are included in note 2. ***Key observations*** Based on our audit work, we have found that revenues and profits are being accounted for in accordance with the Group's accounting policies and IFRS 15 'Revenue from Contracts with Customers'.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£249,000, which represents approximately 5% of the group's profit before tax. This benchmark is considered the most appropriate because profit before tax is a key performance indicator for the group. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the year on year increase in profit before tax.	£95,000, which represents approximately 0.5% of the company's total assets. This benchmark is considered the most appropriate given the activities of the parent company, primarily being that of a holding company and its major activities relate to fixed assets included in the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the year on year increase in total assets.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	£5,000 has been used for directors' remuneration and related party transactions	£5,000 has been used for directors' remuneration and related party transactions
Communication of misstatements to the audit committee	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- documenting the processes and controls covering all of the significant risks; and
- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality; and
- in order to address the audit risks described above as identified during our planning procedures, we performed a full-scope audit of the financial statements of the parent company, and of the financial information of the subsidiary undertakings representing all of the group's operations. The operations that were subject to full-scope audit procedures made up 100 per cent of consolidated revenues and 100 per cent of total profit before tax, amortisation and exceptional items. This approach was consistent with the prior year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
8 April 2019

BILLINGTON HOLDINGS PLC

Consolidated income statement for the year ended 31 December 2018

	Note	2018		2017	
		£'000	£'000	£'000	£'000
Revenue, excluding movements in work in progress			76,462		72,156
Increase in work in progress			804		1,362
Revenue	2		77,266		73,518
Raw materials and consumables		49,826		47,324	
Other external charges		3,296		3,212	
Staff costs	3	15,258		14,168	
Depreciation	2	1,502		1,631	
Other operating charges		2,383		2,755	
			(72,265)		(69,090)
Group operating profit			5,001		4,428
Share of post tax profit in joint ventures	23		-		-
Total operating profit			5,001		4,428
Net finance expense	4		(58)		(17)
Profit before tax	2		4,943		4,411
Tax	5		(894)		(907)
Profit for the year			4,049		3,504
Profit for the year attributable to equity holders of the parent company			4,049		3,504
Earnings per share (basic and diluted)	7		33.6 p		29.1 p

All results arose from continuing operations.

The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

Consolidated statement of comprehensive income for the year ended 31 December 2018

	Note	2018	2017
		£'000	£'000
Profit for the year		4,049	3,504
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit surplus	21	(532)	991
Movement on deferred tax relating to pension liability	16	97	(179)
Current tax relating to pension liability	5	(7)	12
		(442)	824
Items that will be reclassified subsequently to profit or loss			
Cash flow hedging			
- *current year losses*		(831)	-
		(831)	-
Other comprehensive income, net of tax		(1,273)	824
Total comprehensive income for the year attributable to equity holders of the parent company		2,776	4,328

The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

Consolidated balance sheet as at 31 December 2018

	Note	2018		2017	
		£'000	£'000	£'000	£'000
Assets					
Non current assets					
Property, plant and equipment	8		14,042		13,591
Pension asset	21		1,630		2,198
Investments in joint ventures	9, 23		-		-
Deferred tax asset	16		39		-
Total non current assets			15,711		15,789
Current assets					
Inventories and work in progress	11	12,011		11,012	
Trade and other receivables	12	7,527		5,700	
Cash and cash equivalents		9,311		8,063	
Total current assets			28,849		24,775
Total assets			44,560		40,564
Liabilities					
Current liabilities					
Current portion of long term borrowings	15	250		254	
Trade and other payables	13	18,732		15,954	
Current tax payable		627		462	
Total current liabilities			19,609		16,670
Non current liabilities					
Long term borrowings	14	1,500		1,750	
Deferred tax liabilities	16	-		168	
Total non current liabilities			1,500		1,918
Total liabilities			21,109		18,588
Net assets			23,451		21,976
Equity					
Share capital	18		1,293		1,293
Share premium			1,864		1,864
Capital redemption reserve			132		132
Other components of equity			(1,675)		(844)
Accumulated profits			21,837		19,531
Total equity			23,451		21,976

The Group financial statements were approved and authorised for issue by the Board of Directors on 8 April 2019.

Ian Lawson Non-executive Chairman

Trevor Taylor Finance Director

The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital	Share premium account	Capital redemption reserve	Other components of equity	Accumulated profits	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	1,293	1,864	132	(825)	16,335	18,799
Transactions with owners						
Dividends (note 6)	-	-	-	-	(1,205)	(1,205)
Credit relating to equity-settled share based payments	-	-	-	-	73	73
ESOP movement in year	-	-	-	(19)	-	(19)
Transactions with owners	-	-	-	(19)	(1,132)	(1,151)
Profit for the financial year	-	-	-	-	3,504	3,504
Other comprehensive income						
Actuarial gain recognised in the pension scheme	-	-	-	-	991	991
Income tax relating to components of other comprehensive income	-	-	-	-	(167)	(167)
Total comprehensive income for the year	-	-	-	-	4,328	4,328
At 31 December 2017	1,293	1,864	132	(844)	19,531	21,976

	Share capital	Share premium account	Capital redemption reserve	Other components of equity	Accumulated profits	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	1,293	1,864	132	(844)	19,531	21,976
Transactions with owners						
Dividends (note 6)	-	-	-	-	(1,385)	(1,385)
Credit relating to equity-settled share based payments	-	-	-	-	84	84
ESOP movement in year	-	-	-	-	-	-
Transactions with owners	-	-	-	-	(1,301)	(1,301)
Profit for the financial year	-	-	-	-	4,049	4,049
Other comprehensive income						
Actuarial loss recognised in the pension scheme	-	-	-	-	(532)	(532)
Income tax relating to components of other comprehensive income	-	-	-	-	90	90
Financial instruments	-	-	-	(831)	-	(831)
Total comprehensive income for the year	-	-	-	(831)	3,607	2,776
At 31 December 2018	1,293	1,864	132	(1,675)	21,837	23,451

The Group accumulated profits reserve includes a surplus of £1,353,000 (2017 - £1,824,000) relating to the net pension surplus.

The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.

BILLINGTON HOLDINGS PLC

Consolidated cash flow statement for the year ended 31 December 2018

	Note	2018	2017
		£'000	£'000
Cash flows from operating activities			
Group profit after tax		4,049	3,504
Taxation paid		(843)	(986)
Interest received		23	3
Depreciation on property, plant and equipment		1,502	1,631
Difference between pension charge and cash contributions		-	(31)
Share based payment charge		84	73
Profit on sale of property, plant and equipment		(274)	(216)
Taxation charge recognised in income statement		894	907
Net finance expense		58	17
Increase in inventories and work in progress		(999)	(1,147)
Increase in trade and other receivables		(1,827)	(119)
Increase in trade and other payables		1,944	2,014
Net cash flow from operating activities		4,611	5,650
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,962)	(2,112)
Proceeds from sale of property, plant and equipment		283	254
Net cash flow from investing activities		(1,679)	(1,858)
Cash flows from financing activities			
Interest paid		(45)	(50)
Repayment of bank and other loans		(250)	(484)
Capital element of hire purchase payments		(4)	(4)
Dividends paid	6	(1,385)	(1,205)
Employee Share Ownership Plan share purchases		-	(19)
Net cash flow from financing activities		(1,684)	(1,762)
Net increase in cash and cash equivalents		1,248	2,030
Cash and cash equivalents at beginning of period		8,063	6,033
Cash and cash equivalents at end of period	24	9,311	8,063

The statement of accounting policies and notes 1 to 24 form part of these Group financial statements.

These consolidated financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out below which comply with IFRS in issue as adopted by the European Union and are effective at 31 December 2018.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

(a) Changes in accounting policies
New and revised standards that are effective for annual periods beginning on or after 1 January 2018

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The Group's previous methodology for accounting for contracted revenue is in line with the requirements of the IFRS 15, therefore there has been no quantitative alterations as a result of the new standard. Disclosures have been altered to reflect the updated requirements.

The key areas of consideration which have been undertaken to reach this conclusion cover loss making contracts and contracts with multiple performance obligations.

• Loss making contracts

IFRS 15 does not include any guidance on how to account for loss making contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

• Contracts with multiple performance obligations

Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, design, fabrication and erection. Under IFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

• the customer benefits from the item either on its own or together with other readily available resources, and

• it is 'separately identifiable' (ie the Group does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group in any year.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Group applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

Changes in accounting policies (continued)

The adoption of IFRS 9 has impacted the following areas:

• the application of hedge accounting for the first time in the current financial period has been performed using the requirements of IFRS 9. As hedge accounting has not previously been applied there has been no impact on prior periods financial statements.

• the impairment of financial assets applying the expected credit loss model. This affects the Group's trade receivables and investments in debt-type assets measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. There has been no quantifiable impact of the application of this new standard as the Group continues to manage credit risk with the use of insurance.

	Measurement category	
	Original IAS 39 category	New IFRS 9 category
Current financial assets		
Trade and other receivables	Amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Amortised cost
Liabilities		
Trade and other payables	Amortised cost	Amortised cost
Derivative financial instruments	n/a	Fair value with effective movements included in cash flow hedge reserve
Non-current borrowings	Amortised cost	Amortised cost
Current borrowings	Amortised cost	Amortised cost

There have been no changes to the measurement of financial assets or liabilities as a result of the application of IFRS 15.

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent company and all of its subsidiary undertakings. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Income, expenditure, unrealised gains and intra-group balances arising from transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Amounts in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the fair value of the consideration transferred to the vendor over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

(c) Revenue

Revenue arises mainly from contracts for the design, fabrication and erection of stuctural steelwork. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services, for example for the design and construction of a steel frame, along with secondary steelwork packages and edge protection. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts within trade and other payables in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either work in progress or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Construction of structural steelwork

The Group enters into contracts for the design, fabrication and erection of structural steel frames in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation.

To depict the progress by which the Group transfers control of the construction to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by use of qualified quantity surveyors and progress certificates received from customers. This output method provides the most faithful depiction of the transfer of goods to each customer.

The construction of structural steel frames normally takes 6–12 months from commencement of design through to completion of installation. As the period of time between customer payment and performance will always be one year or less, the Group applies the practical expedient in IFRS 15.63 and does not adjust the promised amount of consideration for the effects of financing.

In obtaining these contracts, the Group incurs a number of incremental costs, such as commissions paid to sales staff. As the amortisation period of these costs, if capitalised, would be less than one year, the Group makes use of the practical expedient in IFRS 15.94 and expenses them as they incur.

Safety solutions

Revenue from the sale or hire of safety solutions for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

For stand-alone sales of safety solutions, control transfers at the point in time the installation is complete and hand-over is signed by the customer.

In the case of asset rentals relating to the use of the Group's safety solutions products, revenue is charged to customers on a time accrual basis.

Revenue (continued)

Other sales

In all other cases, revenue represents the fair value of consideration received or receivable for goods supplied in the period, excluding VAT and other discounts. Revenue is recognised when or as the Group transfers control of the assets to the customer, which is when the customer takes undisputed delivery of the goods.

The Group does not recognise the revenue and profit attributable to claims and disputed amounts on contracts until the recovery of these amounts is considered probable and when the outcome can be estimated reliably.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is calculated to write off the cost of property, plant and equipment (other than freehold land) less estimated residual value by equal annual instalments over their expected useful lives. The expected useful lives and material residual value estimates are updated as required, but at least annually.

The rates applicable are:

Freehold and long leasehold property	2% to 4%
Plant, equipment and vehicles	5% to 40%

Investment property is carried at fair value determined annually by the directors by reference to current market rents and investment property yields for comparable properties. No depreciation is provided. Changes in fair value are recognised in retained earnings.

Impairment testing of property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

(e) Inventories and work in progress

Inventories and work in progress are valued at the lower of cost, including applicable overheads, and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula.

Contract work in progress is included in revenue. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or receivable in its statement of financial position, depending on whether something other than the passage of time is required before consideration is due.

Provision is made for probable losses on all contracts based on the loss which is currently estimated to arise over the duration of any contract, irrespective of the amount of work carried out at the balance sheet date.

(f) Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (ie actuarial gains and losses) in which case the related deferred tax is also recognised in other comprehensive income.

(g) Retirement benefits

Defined Contribution pension schemes

The pension costs charged against operating profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Defined Benefit pension schemes

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately in other comprehensive income. The gross surplus or deficit is presented on the face of the statement of financial position. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost, past service cost and costs from settlements and curtailments are charged against other operating charges. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance income/costs.

Short-term employee benefits, including holiday entitlement, are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

(h) Leased assets

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight line basis over the period of the lease term. Lease incentives are spread over the term of the lease.

(i) Employee Share Ownership Trust (ESOT)

The Group's Employee Share Ownership Trust ("ESOT") is a separately administered trust. The assets of the ESOT comprise shares in the company and cash. The assets, liabilities, income and costs of the ESOT have been included in the consolidated financial statements as the Group exercises control over the ESOT in accordance with the terms of the trust deed. The shares in the Company are included at cost to the ESOT and deducted from equity and dividend income is excluded in arriving at profit before tax and deducted from the aggregate of dividends paid and proposed. When calculating earnings per share these shares are treated as if they were cancelled. The charge relating to share options is determined using the Black-Scholes model to ascertain the fair value of the granted options. Details of the charge through the Consolidated Income Statement can be seen in notes 3 and 10 of the Group financial statements.

(j) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All foreign exchange differences are dealt with through the income statement, unless subject to hedging arrangements.

(k) Joint ventures

Joint ventures are entities over which the Group holds a contractual share of joint control. The Group financial statements incorporate joint ventures under the equity method of accounting, supplemented by additional disclosures.

The Group's share of the profits, losses, finance income, finance cost and taxation of joint ventures are included in the Group income statement. The Group balance sheet includes the investment in joint ventures at the Group's share of net assets.

(l) Financial instruments

<u>Recognition and derecognition</u>

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

<u>Classification and initial measurement of financial assets</u>

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

Financial Instruments (continued)

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:
• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Financial Instruments (continued)

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 17 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

The Group applies the new hedge accounting requirements in IFRS 9 prospectively. There were no hedging relationships in place at the 31 December 2017 reporting date, however there were two flexi forward currency hedging contracts in place as at the 31 December 2018 reporting date.

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate foreign currency exchange risk arising from certain highly probable sales transactions denominated in foreign currency.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

Financial Instruments (continued)

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

(n) Dividends

Dividend distributions payable to equity shareholders are included in "trade and other payables" when the dividends are approved in general meeting prior to the balance sheet date, and are debited direct to equity within accumulated profits.

(o) Equity

Equity comprises the following:

"Called up share capital" represents the nominal value of equity shares.

"Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

"Capital redemption reserve" represents the purchase cost of shares repurchased by the Group in 1998

"Other components of equity" represents the purchase cost of the shares held within the Employee Share Ownership Trust (ESOT) and the cash flow hedge reserve (see note 18).

"Accumulated profits" represents retained profit, and gains and losses due to the revaluation of certain property, plant and equipment prior to the implementation of IFRS.

(p) Segmental reporting

In identifying its operating segments, management follows the Group's service lines, which represent the main products and services provided by the Group. The disclosure is based on the information that is presented to the chief operating decision maker, which is considered to be the executive board of Billington Holdings plc. There have been no changes from prior periods in the measurement methods used to determine segment profit or loss.

(q) Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's longrunning project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Group have decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, the Group:

• has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the Group has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset

• believes that the most significant impact will be that the Group will need to recognise a right of use asset and a lease liability for the production facility at Yate currently treated as operating leases. This lease is due for re-negotiation during the financial year ending 31 December 2019.

• is implementing a new IT system that will facilitate to record lease contracts.

The Group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Group need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Group are currently assessing the impact of applying these other transitional reliefs.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the Group does not expect any changes for leases where they are acting as a lessor.

(r) Significant management judgements and estimates in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements. Critical estimation uncertainties are described below.

Construction contract revenue

The stage of completion of any construction contract is assessed by management by taking into consideration all information available at the reporting date. In this process management makes significant judgements about performance obligations satisfied, costs to complete and the overall contract value. In identifying the performance obligations satisfied, management rely on the knowledge and experience of the Group's quantity surveyors. Further information on the Group's accounting policy for construction contracts is provided in policy c.

Recognition of pension scheme surplus

Management consider that where the pension scheme is in surplus it is appropriate to recognise this as an asset in the Group balance sheet. The scheme rules indicate that any surplus will be returned to the sponsoring company upon cessation.

Significant management judgements and estimates in applying accounting policies (continued)

Deferred tax asset

The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is recognised in full to the extent that it is probable taxable profits will be available. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in note 8.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence of market value available at the times the estimates are made.

Defined benefit obligation

Management estimates the defined benefit obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit obligation of £6,167,000 (2017: £6,317,000) is based on standard rates of inflation and appropriate mortality tables. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

An estimation has been made for the impact of the equalisation of GMP following the outcome of the Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc (and others) court case. While further information as to the impact remains unavailable, management have included a provision further to the specialist advice received. The impact is not material to these financial statements.

The defined benefit pension scheme was closed to future accrual in 2011.

(s) *Capital management policies and procedures*

Billington Holdings' capital management objectives are to ensure the Group's ability to continue as a going concern and provide an adequate return to shareholders.

The Group and subsidiary companies' Boards meet regularly to review performance and discuss future opportunities and threats with an aim to maximising return and minimising risk.

The Group monitors capital as the carrying amount of equity less cash and cash equivalents as set out on the face of the balance sheet. There are no covenants in place over the capital ratio to be maintained.

1. Segmental information

The Group trading operations of Billington Holdings plc are in Structural Steel and Safety Solutions, and all are continuing. The Structural Steel segment includes the activities of Billington Structures Limited and Peter Marshall Steel Stairs Limited, and the Safety Solutions segment includes the activities of easi-edge Limited and hoard-it Limited. The Group activities, comprising services and assets provided to Group companies and a small element of external property rentals and management charges, are shown in Other. All assets of the Group reside in the UK.

31 December 2018	Structural Steelwork	Safety Solutions	Other	Total
Revenue				
From external customers	69,360	7,102	-	76,462
Increase in work in progress	804	-	-	804
Segment revenues	**70,164**	**7,102**	**-**	**77,266**
Raw materials and consumables	(47,910)	(1,916)	-	(49,826)
Other external charges	(2,187)	(1,109)	-	(3,296)
Staff costs	(12,338)	(1,485)	(1,435)	(15,258)
Depreciation	(737)	(659)	(106)	(1,502)
Other operating charges	(3,361)	(565)	1,543	(2,383)
Segment operating profit	3,631	1,368	2	5,001

31 December 2017	Structural Steelwork	Safety Solutions	Other	Total
Revenue				
From external customers	66,362	5,794	-	72,156
Increase in work in progress	1,362	-	-	1,362
Segment revenues	**67,724**	**5,794**	**-**	**73,518**
Raw materials and consumables	(46,004)	(1,375)	-	(47,379)
Other external charges	(2,329)	(883)	-	(3,212)
Staff costs	(11,379)	(1,409)	(1,380)	(14,168)
Depreciation	(802)	(739)	(90)	(1,631)
Other operating charges	(3,789)	(422)	1,511	(2,700)
Segment operating profit	3,421	966	41	4,428

2. Revenue and profit before tax

Revenue and profit before tax are attributable to the Group's continuing operations. One customer included within the structural steel sector accounted for greater than 10% of the Group's revenue. This contractor accounted for 11% (2017: one contractor greater than 10% with 22%) of Group revenue. The one contractor with revenue of greater than 10% in 2018 and 2017 relate to the same customer.

Analysis of revenue (excluding movement in work in progress):

For the year ended 31 December 2018

	Structural Steel		Safety Solutions		
	Contracts with customers	Other sources of revenue	Operating lease income	Other sources of revenue	Total
United Kingdom	65,943	2,633	4,776	2,326	75,678
Europe	784	-	-	-	784
Rest of the World	-	-	-	-	-
	66,727	2,633	4,776	2,326	76,462

2. Revenue and profit before tax (continued)

For the year ended 31 December 2017

	Structural Steel		Safety Solutions		
	Contracts with customers	Other sources of revenue	Operating lease income	Other sources of revenue	Total
United	63,703	2,655	3,631	2,163	72,152
Europe	4	-	-	-	4
Rest of the World	-	-	-	-	-
	63,707	2,655	3,631	2,163	72,156

	2018	2017
	£'000	£'000
Information about contract balances		
Contract liabilities	(5,205)	(3,846)
Contract assets	11,124	10,320
Contract receivables	4,690	3,783

There was no revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period.

There was no revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods.

Information about performance obligations and significant judgements

Contracts with customers are typically for the construction of structural steelworks. These contracts typically conclude within twelve months of commencement, with obligations to make good generally lasting until a building is handed over by the main contractor. Revenue is recognised over time upon completion of performance obligations, evidence of the satisfaction of which is provided by certifications or cash payments received directly from the client. Judgement is exercised by management in the provision of contract liabilities to ensure that profit is not recognised on a contract until it is reasonably certain.

Profit before tax is stated after:

	2018	2017
	£'000	£'000
An analysis of fees paid to the Group's auditor		
Fees payable to the parent company's auditor for the audit of the company's annual accounts	36	33
Fees payable to the company's auditor for other services:		
the audit of the company's subsidiaries	31	30
tax compliance	4	4
tax advisory	24	4
other services	17	17
Depreciation	1,502	1,631
Profit on disposal of property, plant and equipment	274	216
Operating lease charges:		
short term hire of plant and machinery	32	32
operating leases - other	215	182
operating leases - property	81	93

3. Staff costs

Staff costs during the year including directors:

	2018	2017
	£'000	£'000
Wages and salaries	13,254	12,367
Social security	1,478	1,342
Pension costs	442	386
Share-based payments	84	73
	15,258	14,168

The average number of employees of the Group during the year was 379 (2017: 360).

Key management are only considered to be the directors of Billington Holdings Plc and all are remunerated through this Company. Remuneration in respect of key management was as follows:

	Salary and fees	Other emoluments	Pension	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000
Executive					
M. Smith	180	80	6	266	263
T.M. Taylor	136	69	17	222	209
Non-executive					
P.K. Hems	52	-	-	52	56
I. Lawson	15	-	-	15	-
J.S. Gordon	36	1	-	37	36
S.G.T. Fareham	28	21	-	49	39
Dr. A. Ospelt	12	-	-	12	12
	459	171	23	653	615
Employer's NI				79	73
Key management personnel compensation				732	688
Short-term employee benefits				709	657
Long-term employee benefits				23	31
				732	688

Other emoluments received consist of the provision for private medical care, bonuses and motor car allowances.

During the year it was agreed to award Mr M. Smith 6,936 share options and Mr T.M. Taylor 5,465 share options related to the unapproved share option scheme, exercisable at nil value between the third and tenth anniversary of their grant.

During the year no directors (2017: no directors) exercised share options.

During the year no directors (2017: no directors) participated in defined benefit pension schemes and two directors (2017: two directors) participated in a defined contribution pension scheme.

4. Net finance expense

	2018	2017
	£'000	£'000
Payable on bank loans and overdrafts	(45)	(50)
Receivable on bank balances	23	3
Other finance income - pension scheme (see note 21)	(36)	30
Net finance expense	(58)	(17)

5. Tax on profit on ordinary activities

The tax charge represents:

	2018	2017
	£'000	£'000
Corporation tax at 19% (2017 - 19.247%)	1,065	883
Adjustments in respect of prior years	(64)	8
Total current tax	1,001	891
Deferred tax charge - (note 16)	(107)	16
Total tax charge for the year	894	907

Tax relating to other comprehensive income:

	2018	2017
	£'000	£'000
Corporation tax at 19% (2017 - 19.247%)		
Current tax charge/(credit) relating to pension liability	7	(12)

The tax assessed for the year is at the standard rate of corporation tax in the United Kingdom of 19% (2017: 19.247%). The differences are explained as follows:

	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	4,943	4,411
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2017: 19.247%)	939	847
Effects of:		
expenses not deductible for tax purposes	36	11
adjustments to tax charge in respect of prior years	(64)	8
rate differences	(16)	-
deferred tax not recognised	4	14
other adjustments	(5)	27
Total tax charge for year	894	907

6. Dividends

A final dividend was paid in July 2018 in respect of 2017 of 11.5 pence per ordinary share (£1,385,000).

A final dividend has been proposed in respect of 2018 of 13.0 pence per ordinary share (£1,681,463). As the distribution of dividends by Billington Holdings Plc requires approval at the shareholders' meeting, no liability in this respect is recognised in the consolidated financial statements.

7. Earnings per share

Earnings per share is calculated by dividing the profit for the year of £4,049,000 (2017: profit - £3,504,000) by 12,044,508 (2017: 12,040,608) fully paid ordinary shares, being the weighted average number of ordinary shares in issue during the year, excluding those held in the ESOT.

There is no impact on a full dilution of the earnings per share calculation as there are no potentially dilutive ordinary shares.

8. Property, plant and equipment

	Freehold property	Long leasehold property	Investment property	Plant, equipment and vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2017	7,796	1,000	600	15,605	25,001
Additions	-	-	-	2,112	2,112
Disposals	-	-	-	(318)	(318)
At 1 January 2018	7,796	1,000	600	17,399	26,795
Additions	64	-	-	1,898	1,962
Reclassification	600	-	(600)	-	-
Disposals	-	-	-	(977)	(977)
At 31 December 2018	8,460	1,000	-	18,320	27,780

	Freehold property	Long leasehold property	Investment property	Plant, equipment and vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Depreciation					
At 1 January 2017	603	-	-	11,250	11,853
Charge for year	77	-	-	1,554	1,631
Disposals	-	-	-	(280)	(280)
At 1 January 2018	680	-	-	12,524	13,204
Charge for year	86	-	-	1,416	1,502
Disposals	-	-	-	(968)	(968)
At 31 December 2018	766	-	-	12,972	13,738
Net book value at 31 December 2018	7,694	1,000	-	5,348	14,042
Net book value at 31 December 2017	7,116	1,000	600	4,875	13,591

Freehold property includes £3,994,000 in respect of land which is not subject to depreciation. Long leasehold property represents land which is not subject to depreciation.

All the Group's freehold properties have been charged to the bank to secure bank facilities.

9. Investments

All Group companies have only ordinary shares in issue and are registered in England and Wales unless otherwise stated.
The subsidiary undertakings and joint ventures are as follows:

	Activity	Proportion of shares held by	
		Group	Company
		%	%
Continuing			
Billington Structures Limited	*Structural steel*	100	100
easi-edge Limited	Safety solutions	100	100
Peter Marshall Steel Stairs Limited	Structural steel	100	100
hoard-it Limited	Site hoarding solutions	100	100
Billington Fleet Management Limited	Vehicle leasing solutions	100	100
Shafton Steel Limited	Dormant	100	100
Shafton Steel Services Limited	Dormant	100	100
Tubecon Limited	Dormant	100	100
Amco Corporation Limited	Dormant	100	100
Joint ventures			
BS2 (2011) Limited	Structural steel	50	-

10. Share based payments

The Employee Share Ownership Trust ("the Trust"/"ESOT") was established by Deed dated 14 December 2015 between Billington Holdings plc ("the Company") and Ocorian Trustees (Jersey) Limited ("the Trustee") (previously Bedell Trustees Limited). It is an employee benefit trust established for the benefit of the bona fide employees of the Company and other Group companies ("the Beneficiaries"). The Trust is a discretionary trust whose assets at present are shares in the Company and cash, although there are wide investment powers in the hands of the Trustee, who has full power to distribute the assets as it deems fit to the Beneficiaries.

The Trust was established to allow for the participation of any Inland Revenue approved or unapproved share schemes to employees of the Group.

Administration costs amounted to £14,000 during the year (2017: £21,000).

On 14 December 2015 a new Employee Share Ownership Trust ("the Trust"/"ESOT") was established and operated by Ocorian Trustees (Jersey) Limited on behalf of the employees and former employees of Billington Holdings Plc and its subsidiaries. The 2015 ESOT replaced the established 1991 Employee Share Ownership Plan ("ESOP") and all shares have been transferred to the new ESOT scheme.

As of 31 December 2018 the Trust held 893,719 (2017: 893,719) ordinary shares of 10p each in the capital of the company (6.91% of the allotted share capital (2017: 6.91%)). The market value of the shares in the ESOP/ESOT Trusts at 31 December 2018 was £2,413,041 (2017: £2,524,756).
Dividends have been waived by the Trust.

On 22 January 2018 the final balance of 7,800 ordinary shares of 10p each held in the 1991 ESOP Trust were transferred to the 2015 ESOT. The balance of shares remaining in the 1991 ESOP Trust was nil and the scheme has been wound up during the year.

10. Share based payments (continued)

During the year ended 31 December 2018, the Group had two share-based payment arrangements. Under both arrangements the options are granted with a fixed exercise price, are exercisable three years after the date of grant and expire ten years after the date of grant. Employees are not entitled to dividends until the shares are exercised. Employees are required to remain in employment with the Group, or have left in accordance with the 'good leaver' provisions until exercise, otherwise the awards lapse. On exercise of the options by the employees the Company issues shares held in trust by the Billington Holdings ESOT.

	Number of shares		Weighted average exercise price	
	2018	2017	2018	2017
	No.	No.	£	£
Brought forward at 1 January	270,203	290,537	2.75	2.77
Granted	12,401	-	-	-
Lapsed	(1,500)	(20,334)	3.03	3.03
Outstanding at 31 December	281,104	270,203	2.63	2.75

The Company is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes similar to this scheme. The following inputs were used:

Share price at date of grant (18 January 2016)	303p
Weighted average exercise price	263p
Expected volatility	25.0%
Expected dividends	Nil
Risk free rate	1.5%
Expected option life	3 years

The underlying volatility was determined by reference to historical data of the Company's shares over a period of time since its flotation. No special features inherent to the options granted were incorporated into measurement of fair value.

The total charge for the year was £84,000 (2017: £73,000).

11. Inventories and work in progress

	2018	2017
	£'000	£'000
Raw materials	887	692
Work in progress	11,124	10,320
	12,011	11,012

Raw materials and consumables recognised as an expense in the Income Statement for the year ended 31 December 2018 totalled £49,826,000 (2017: £47,324,000).

The provision against the value of inventories at the balance sheet date was £100,000 (2017: £94,000).

No reversal of previous write-downs was recognised as a reduction of expense in 2018 or 2017. None of the inventories are pledged as securities for liabilities.

12. Trade and other receivables

	2018	2017
	£'000	£'000
Amounts due from structural steel customers:		
- Trade receivables	4,780	2,601
- Retentions due within one year	1,560	1,679
- Retentions due after one year	410	861
Total	6,750	5,141
Other receivables	212	45
Prepayments and accrued income	565	514
	7,527	5,700

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a loss allowance for lifetime credit losses of £519,000 (2017: £538,000) has been recorded accordingly. The amount charged to the consolidated income statement for the year in relation to expected credit losses was £53,000 (2017: £92,000).

The movement in the expected lifetime credit losses for trade receivables can be reconciled as follows:

	2018	2017
	£'000	£'000
Balance at 1 January	538	494
Impairment loss	98	44
Receivables written off during the year	(117)	-
Balance at 31 December	519	538

13. Trade and other payables

	2018	2017
	£'000	£'000
Trade payables	14,921	12,729
Financial Instruments (note 17)	831	-
Social security and other taxes	734	1,263
Other payables	143	149
Accruals	2,103	1,813
	18,732	15,954

14. Long term borrowings

	2018	2017
	£'000	£'000
Property loans (note 15)	1,750	2,000
Hire purchase		
less than one year	-	4
	1,750	2,004

15. Property loans

	2018 £'000	2017 £'000
Loans at commercial rates -		
due within one year	250	250
repayable within five years	1,500	1,750
	1,750	2,000

The bank loan is secured by way of first legal mortgage over certain freehold properties of the Group. The loan is for a three year term and interest is payable at 1.75% over bank base rate.

16. Deferred tax asset/(liability)

Deferred tax provided in the financial statements is set out below and is calculated using a tax rate of 17% (2017: 17%).

	2018 £'000	2017 £'000
Deferred tax asset recognised in income statement		
At 1 January	206	222
Charged in the year	110	(16)
At 31 December	316	206
Accelerated capital allowances	(32)	9
Other temporary differences	348	197
	316	206
Deferred tax asset recognised in other comprehensive income		
Pension surplus	(277)	(374)
Total deferred tax asset /(liability)	39	(168)

The recoverability of the deferred tax asset is dependent on future taxable profits. Group companies are budgeted to make profits in the next few years which supports the recognition of these assets. There are no unrecognised deferred tax assets.

Movements on the deferred tax asset relating to the pension asset (see statement of comprehensive income) are recognised *directly in equity. All other deferred tax movements are recognised in the income statement.*

The Government announced in March 2012 a reduction in the rate of corporation tax to 24% with effect from 1 April 2012, with further reductions of 1% each year to 20% by 1 April 2016. At the Summer Budget 2015, the Government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and 17% for the year starting 1 April 2020.

17. Financial assets and liabilities

Categories of financial assets and financial liabilities

The accounting policies for each category of financial assets and financial liabilities, and a description of each, can be found in the accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

31 December 2018	Amortised cost	FVTPL	Derivatives used for hedging (FV)	Total
	£'000	£'000	£'000	£'000
Current financial assets				
Trade and other receivables	6,962	-	-	6,962
Cash and cash equivalents	9,311	-	-	9,311
	16,273	-	-	16,273
Liabilities				
Trade and other payables	15,064	-	-	15,064
Derivative financial instruments	-	-	831	831
Non-current borrowings	1,500	-	-	1,500
Current borrowings	250	-	-	250
	16,814	-	831	17,645

31 December 2017	Amortised cost	FVTPL	Derivatives used for hedging (FV)	Total
	£'000	£'000	£'000	£'000
Current financial assets				
Trade and other receivables	5,186	-	-	5,186
Cash and cash equivalents	8,063	-	-	8,063
	13,249	-	-	13,249
Liabilities				
Trade and other payables	12,878	-	-	12,878
Non-current borrowings	1,750	-	-	1,750
Current borrowings	250	-	-	250
	14,878	-	-	14,878

Derivative financial instruments

The Group's derivative financial instruments are measured at fair value and are summarised below:

	2018	2017
	£'000	£'000
Foreign currency flexi-forward contracts - cash flow hedge	(831)	-
Derivative financial liabilities	(831)	-

The Group uses certain derivative financial instruments to mitigate foreign exchange rate exposure arising from forecast sales in Euros. The Group's policy is to hedge 100% of all contracted future sales in Euros.

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instruments to determine whether there is still an economic relationship between the two.

The critical terms of the foreign currency flexi-forward contracts entered into exactly match the terms of the hedged items. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate.

17. Financial assets and liabilities (continued)

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example if there was a change in the timing of the forecast sales transactions from what was initially estimated or if the volume of currency in the hedged items was below expectations leading to over-hedging.

The hedged items and the hedging instruments are denominated in the same currency and as a result the hedging ratio is always one to one.

All foreign currency flexi-forward contracts held at the balance sheet date were taken out during the period and have been designated as hedging instruments in cash flow hedges under IFRS 9. At the 31 December 2018 reporting date all hedging relationships continue to meet the criteria for hedge relationships and as such are regarded as continuing hedging relationships.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

If a forecast transaction is no longer expected to occur, any net related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

During 2018 a loss of £831,000 was recognised in other comprehensive income (2017: £nil).

No ineffectiveness arose during the period (2017: nil).

The effect of hedge accounting on the Group's financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

	2018	2017
	£	£
Carrying amount: EUR flexi-forward contracts	(831,000)	-
Notional amount: EUR flexi-forward contracts	32,000,000	-
Hedge ratio	1:1	n/a
Maturity date	March to December 2019	n/a
Average forward rate: EUR flexi-forward contracts	1.1419	n/a
Change in the fair value of the currency forward: EUR flexi-forward contracts	(831,000)	n/a
Change in the fair value of the hedged item used to determine hedge effectiveness: EUR contracted sales	(831,000)	n/a
Amounts in the cash flow hedge reserve: EUR flexi-forward contracts	(831,000)	n/a

The hedge relationships relate to the foreign exchange risk arising from contracted sales and the resulting receivable. Reclassification to profit and loss occurs at the time of the associated sale being recognised and then further movements to profit and loss to match the retranslation of the associated receivable. The above movements relating to the hedging instrument and hedged item exclude those elements reclassified by the reporting date. No amounts were reclassified during the financial period.

The potential sources of ineffectiveness include (a) differences between the timing of the cash flows of the hedged item and hedging instrument (b) changes in credit risk of the hedging instrument (c) potential over-hedging should volumes of highly probable sales fall below hedged amounts.

Due to the use of flexible forward contracts, the small differences in timing are not considered to give rise to any significant ineffectiveness. At the current time, no ineffectiveness has arisen from credit risk or from over-hedging although this is monitored on an ongoing basis.

17. Financial assets and liabilities (continued)

Financial instruments risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are foreign currency risk, market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group enters into derivatives, principally for hedging foreign exchange risk. Associated disclosures relating to hedge accounting are included above.

Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency sensitivity

Most of the Group's transactions are carried out in GBP. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Euros.

To mitigate the Group's exposure to foreign currency risk, non-GBP cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within six months) from longer-term cash flows (due after six months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other same-currency transactions. Hedge accounting disclosures are included above.

At the balance sheet date, the full value of contracted non-GBP sales were covered by the hedges in place. Therefore there was no exposure to currency risk or sensitivity of profit and equity in regard to the exchange rate.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing where commercially viable. At 31 December 2018, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2017: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	+ 1%	- 1%	+ 1%	- 1%
31 December 2018	17	(17)	-	-
31 December 2017	19	(19)	-	-

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

17. Financial assets and liabilities (continued)

Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, credit insurance is obtained on all customers across the Group. External credit ratings and/or reports on customers are also obtained and used. The Group's policy is to deal only with credit worthy counterparties. Where credit insurance is not obtainable for a specific customer, trade is only permissible following director approval. Exposure is monitored on an ongoing basis. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Security

Trade receivables consist of a large number of customers in various industries, predominantly although not exclusively construction, and geographical areas. The Group does not hold any security on the trade receivables balance.

In addition, the group does not hold collateral relating to other financial assets (eg derivative assets, cash and cash equivalents held with banks).

Trade receivables

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2018 and 1 January respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst others are considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2018 was determined as follows:

		Trade receivables days past due			
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit rate loss	1%	8%	29%	27%	-
Gross carrying amount	1,781	2,497	531	499	5,308
Lifetime expected credit loss	25	208	153	133	519

17. Financial assets and liabilities (continued)

The closing balance of the of the trade receivables loss allowance as at 31 December 2018 reconciles with the trade receivables loss allowance opening balance as follows:

	£'000
Loss allowance as at 1 January calculated under IAS 39	538
Amounts restated through opening retained earnings	-
Opening loss allowance as at 1 January 2018	538
Loss allowance recognised during the year	98
Receivables written off during the year	(117)
Loss allowance unused and reversed during the year	-
Loss allowance as at 31 December	519

Liquidity risk

As at 31 December 2018 the Group's financial liabilities have contractual maturities which are summarised below:

31 December 2018	Current within six months	Current six to twelve months	Between one and three years
	£'000	£'000	£'000
Trade payables	14,921	-	-
Other payables	974	-	-
Property loans	125	125	1,500
	16,020	125	1,500

This compares to the maturity of financial liabilities for the Group in the previous reporting period which was as follows:

31 December 2017	Current within six months	Current six to twelve months	Between one and three years
	£'000	£'000	£'000
Trade payables	12,729	-	-
Other payables	149	-	-
Property loans	125	125	1,750
	13,003	125	1,750

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs through the close control, monitoring and forecasting of cash inflows and cash outflows. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. Management believe that levels of cash reserves and available headroom are sufficient to meet the Group's needs over its forecast period.

18. Equity

Called up share capital

	2018		2017	
	Number of shares	£'000	Number of shares	£'000
Authorised				
Ordinary shares of 10p each	27,500,000	2,750	27,500,000	2,750
Allotted and fully paid				
Ordinary shares of 10p each	12,860,959	1,286	12,860,959	1,286
"A" ordinary shares of 10p each	73,368	7	73,368	7
	12,934,327	1,293	12,934,327	1,293

During the year no "A" ordinary shares were converted into ordinary shares (2017 - none).

Both classes of share rank pari passu in all respects.

Details of company share options outstanding at 31 December 2018 and treasury shares held by the ESOT are given in note 10.

Other components of equity

The details of other components of equity are as follows:

	ESOT	Cash flow hedges	Total
	£'000	£'000	£'000
At 1 January 2017	(825)	-	(825)
ESOT movement in year	(19)	-	(19)
Remeasurement of net defined benefit asset	-	-	-
Tax expense	-	-	-
At 31 December 2017	(844)	-	(844)
At 1 January 2018	(844)	-	(844)
Remeasurement of net defined benefit asset	-	-	-
Cash flow hedges:			
- current year losses	-	(831)	(831)
Tax expense	-	-	-
At 31 December 2018	(844)	(831)	(1,675)

19. Ultimate controlling related party

At the year end, the directors considered that the Company had no ultimate controlling party.

20. Operating lease obligations

	2018		2017	
	Other	Land & buildings	Other	Land & buildings
	£'000	£'000	£'000	£'000
Within the Group commitments to operating lease payments are as follows:				
Total lease payments				
within one year	126	81	164	81
between one and five years	77	47	206	128
	203	128	370	209

The Group leases certain premises under operating leases which expire between 2018 and 2020. The Group also leases certain motor vehicles whose total future minimum rentals are shown above.

21. Retirement benefits

The Group operates funded pension schemes for certain employees and directors. The total contributions to all pensions by the Group for the year was £441,000 (2017: £417,000).

Defined contribution schemes accounted for £441,000 (2017: £386,000) of this amount with £nil (2017: £31,000) relating to a defined benefit scheme, where the benefits are based on final pensionable pay.

The defined benefit scheme is legally separated from the Group and is managed by a board of trustees. The board of trustees of the scheme is required by its articles of association to act in the best interest of the fund and is responsible for setting the investment policies. The Group is represented on the board of trustees by employer nominated and appointed trustees.

The pension costs relating to the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit credit method of valuation. The latest actuarial valuation of the Group's pension scheme was carried out as at 31 March 2017 (approved 8 January 2018).

In accordance with the terms of the recovery plan dated 8 January 2018 the Group expects to contribute £nil to the defined benefit pension scheme in the year ending 31 December 2019. The next scheme funding actuarial valuation is due as at 31 March 2020. Any recovery plan, should this be required, and schedule of contributions will be reviewed at this date.

The scheme was closed to future accrual at 1 July 2011 and any remaining surplus upon satisfaction of all scheme liabilities is returnable to the Group.

The scheme exposes the Group to actuarial risk such as interest rate risk, investment risk, longevity risk and inflation risk:

Interest rate risk

The present value of the defined benefit liabilities is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation.

A decrease in market yield on high quality corporate bonds will increase the value of the scheme's liabilities, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

Investment risk

The plan assets at 31 December 2018 are held predominantly in equity and debt instruments. The fair value of the equity assets is exposed to the risks of movements in UK and Overseas equity markets.

Longevity risk

The Group is required to provide benefits for life for the members of the scheme. The liabilities of the scheme are sensitive to unexpected changes in future mortality.

Inflation risk

Elements of the pensions in payment under the scheme are linked to inflation. An increase in the inflation rate would increase the value placed on the liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

21. Retirement benefits (continued)

The assets of the schemes were:

		Value at 31 December 2018	2017	2016
		£'000	£'000	£'000
Equities	- UK	-	-	1,292
	- Overseas	365	459	997
Bonds	- UK Government	1,998	2,058	2,044
	- UK Corporate	-	-	1,409
Equity-Linked Bonds		3,077	3,487	-
Cash		33	60	30
Other		2,324	2,451	2,204
Total market value of assets		7,797	8,515	7,976
Present value of scheme liabilities		(6,167)	(6,317)	(6,830)
Surplus in the scheme		1,630	2,198	1,146
Related deferred tax liability		(277)	(374)	(195)
Net pension asset		1,353	1,824	951

A reconciliation of the defined benefit obligation and plan assets to the amounts presented in the balance sheet for each of the reporting periods is presented below:

	2018	2017
	£'000	£'000
Defined benefit obligation	(6,167)	(6,317)
Fair value of plan assets	7,797	8,515
	1,630	2,198

Analysis of the amount charged to other finance income:

	2018	2017
	£'000	£'000
Interest income	202	208
Interest on pension scheme liabilities	(149)	(178)
Past service cost [including curtailments]	(61)	-
Administration cost	(28)	-
Total income recognised in profit or loss	(36)	30

Past service cost relates to the provision made to cover the equalisation of GMP.

Analysis of amount recognised in statement of comprehensive income:

	2018	2017
	£'000	£'000
Return on plan assets (excluding amounts included in net interest)	(695)	552
Actuarial losses from changes in financial assumptions	253	(120)
Actuarial gains from changes in demographic assumptions	38	117
Actuarial (losses)/gains from experience differing from that assumed	(128)	442
Total income recognised in other comprehensive income	(532)	991

21. Retirement benefits (continued)

Movements in the fair value of plan assets during the year were as follows:

	2018	2017
	£'000	£'000
At 1 January	8,515	7,976
Interest income	202	208
Return on plan assets (excluding amounts included in net interest)	(695)	552
Contributions	-	31
Benefits paid	(197)	(252)
Administration costs	(28)	-
At 31 December	7,797	8,515

Movements in the defined benefit obligation during the year were as follows:

	2018	2017
	£'000	£'000
At 1 January	(6,317)	(6,830)
Past service cost	(61)	-
Interest cost	(149)	(178)
Remeasurement - actuarial (gains)/losses from changes in financial assumptions	253	(120)
Remeasurement - actuarial losses from changes in demographic assumptions	38	117
Remeasurement - experience differing from that assumed	(128)	442
Benefits paid	197	252
At 31 December	(6,167)	(6,317)

The assumptions adopted for the scheme valuation were developed by Group management with the advice of an independent actuary. These assumptions are based on current actuarial benchmarks, management's historical experience and by reference to market yields on corporate bonds.

The significant actuarial assumptions used for the valuation are as follows:

	2018	2017	2016
	%	%	%
Rate of increase in pensionable salaries	3.2	3.2	3.4
Rate of increase in pensions in payment	3.1	3.1	3.3
Discount rate	2.7	2.4	2.7
Inflation assumption	3.2	3.2	3.4

The mortality assumption adopted for the purposes of the calculations as at 31 December 2018 is as follows:

- Base table: S2PxA tables, year of birth

- Future mortality improvements: CMI 2017 mortality projection model at 1.5% per annum.

Average life expectancies - Billington Scheme	2018	2017
Male retiring at reporting date at age 62 (in years)	24.9	25.0
Male retiring at reporting date +20 years at age 62 (in years)	26.7	26.8
Female retiring at reporting date at age 62 (in years)	26.9	26.9
Female retiring at reporting date +20 years at age 62 (in years)	28.8	28.8

Members are assumed to retire at the earliest age at which they can take their full pension unreduced. No allowance is included for members continuing their benefits at retirement.

21. Retirement benefits (continued)

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the rate of inflation and the average life expectancy. The calculation of the net defined benefit surplus is sensitive to these assumptions.

Changes in the significant actuarial assumptions:

	2018	2017
	£'000	£'000
0.5% increase to discount rate	(432)	(580)
0.5% increase in inflation and related assumptions	308	340
1 year increase in life expectancy	185	120

The above shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constant). This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

22. Related party transactions

No transactions took place with any companies with which the Group has common directors during the year. There were no outstanding balances with any such related parties at either the opening or closing balance sheet dates.

23. Joint ventures

The Group's investment in joint ventures relates to an equal shareholding of £1 held in BS2 (2011) Limited which was incorporated on 23 February 2011. The principal activity of BS2 (2011) Limited is that of design engineering, fabrication and construction of structural steelwork and commenced trading on 1 November 2011.

The joint venture has been accounted for in the Group accounts using the equity accounting method.

The Group's share of transactions and balances with BS2 (2011) Limited as at 31 December 2018 were as follows:

	£'000
Share of revenue	-
Share of profit before taxation	-
Share of profit after taxation	-
Share of current assets	3
Share of liabilities due within one year	3

24. Reconciliation of net cash flow to movement in net cash

	Cash and cash equivalents	Property loans and hire purchase	Net cash
	£'000	£'000	£'000
At 1 January 2017	6,033	(2,492)	3,541
Cash flow	2,030	488	2,518
At 31 December 2017	8,063	(2,004)	6,059
Cash flow	1,248	254	1,502
At 31 December 2018	9,311	(1,750)	7,561

BILLINGTON HOLDINGS PLC

Parent company statement of financial position as at 31 December 2018

	Note	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		8,628		8,660
Investments	9		570		570
			9,198		9,230
Current assets					
Debtors falling due within one year	11	1,286		773	
Cash at bank and in hand		9,310		9,530	
		10,596		10,303	
Creditors: amounts falling due within one year	12	(4,364)		(5,463)	
Net current assets			6,232		4,840
Total assets less current liabilities			15,430		14,070
Creditors: amounts falling due after more than one year	13		(1,500)		(1,750)
			13,930		12,320
Capital and reserves					
Called up share capital	15		1,293		1,293
Share premium	16		1,864		1,864
Capital redemption reserve	16		132		132
Other reserve	16		(844)		(844)
Retained earnings	16		11,485		9,875
Shareholders' funds			13,930		12,320

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements.

The profit on ordinary activities after taxation and receipt of dividends of the company for the year was £2,948,000 (2017: £3,429,000).

The parent company financial statements were approved and authorised for issue by the Board of Directors on 8 April 2019.

Ian Lawson Non-executive Chairman

Trevor Taylor Finance Director

The statement of accounting policies and notes 1 to 21 form part of these parent company financial statements.

BILLINGTON HOLDINGS PLC

Parent company statement of changes in equity for the year ended 31 December 2018

	Share capital	Share premium account	Capital redemption reserve	Other reserve - ESOT	Accumulated profits	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	1,293	1,864	132	(825)	7,606	10,070
ESOT movement in year	-	-	-	(19)	-	(19)
Profit for the financial year	-	-	-	-	3,429	3,429
Credit relating to equity-settled share-based payments	-	-	-	-	45	45
Dividends	-	-	-	-	(1,205)	(1,205)
At 31 December 2017	1,293	1,864	132	(844)	9,875	12,320

	Share capital	Share premium account	Capital redemption reserve	Other reserve - ESOT	Accumulated profits	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	1,293	1,864	132	(844)	9,875	12,320
ESOT movement in year	-		-	-	-	-
Profit for the financial year	-	-	-	-	2,948	2,948
Credit relating to equity-settled share-based payments	-	-	-	-	47	47
Dividends	-	-	-	-	(1,385)	(1,385)
At 31 December 2018	1,293	1,864	132	(844)	11,485	13,930

The statement of accounting policies and notes 1 to 21 form part of these parent company financial statements.

1. Company information

Billington Holdings Plc is a company domiciled in England and Wales, registration number 02402219. The registered office is Barnsley Road, Barnsley, S73 8DS.

The company is a holding company providing management services to its subsidiaries.

2. Compliance with Accounting Standards

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

The individual accounts of Billington Holdings Plc have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes.
- key management personnel
- certain financial instruments

3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Impairment of assets

Management determine whether there are indications of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

4. Accounting Policies

Basis of preparation of financial statements

The financial statements have been prepared on the historical cost basis. The presentation currency is Sterling (£).

(a) Property, plant and equipment

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write off the cost of fixed assets less estimated residual value by equal annual instalments over their expected useful lives. Land is not depreciated. The rates applicable are:

Buildings	2%
Plant and equipment	5% to 33.3%

4. Accounting Policies (continued)

(b) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in retained earnings. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised on all timing differences that have originated but not reversed by the statement of financial position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

(c) Retirement benefits

Defined Contribution Pension Schemes

The pension costs charged against operating profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

(d) Investments

Within the parent company, investments in subsidiary undertakings are stated at cost less provision for permanent diminution in value.

(e) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

(f) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

(g) Financial instruments

The company uses financial instruments, other than derivatives, comprising borrowings, cash resources and various items such as trade debtors, trade creditors etc. that arise from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to retained earnings in the financial period to which it relates.

(h) Leased assets

All leases are operating leases and the annual rentals are charged wholly to retained earnings.

5. Loss on ordinary activities

Loss on ordinary activities before taxation is stated after:

	2018	2017
	£'000	£'000
Depreciation	96	89
Fees payable to the company's auditor for the audit of the company's annual accounts	36	33
Fees payable to the company's auditor for other services:		
tax compliance	4	8
other services	41	17
Operating lease rentals	49	47

Reconciliation to profit:

	2018	2017
	£'000	£'000
Loss after tax on ordinary activities	(52)	(71)
Reversal of impairment of intercompany loan	-	500
Dividends received	3,000	3,000
	2,948	3,429

6. Directors and employees

Staff costs during the year including directors:

	2018	2017
	£'000	£'000
Wages and salaries	1,190	1,136
Social security	142	137
Pension costs	51	57
Share-based payments	47	45
	1,430	1,375

The average number of employees of the company during the year was 17 (2017: 15).

Remuneration in respect of directors was as follows:

	2018	2017
	£'000	£'000
Aggregate emoluments	630	585
Company pension contributions to a defined contribution scheme	23	30

During the year no directors (2017: no directors) participated in defined benefit pension schemes and two directors (2017: two directors) participated in a defined contribution pension scheme.

During the year no directors (2017: no directors) exercised share options.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2018	2017
	£'000	£'000
Aggregate emoluments	260	251
Company pension contributions to a defined contribution scheme	6	12

7. Dividends

A final dividend has been proposed in respect of 2018 of 13.0 pence per ordinary share (£1,681,463) (2017: 11.5 pence per ordinary share (£1,487,000). As the distribution of dividends by Billington Holdings Plc requires approval at the shareholders' meeting, no liability in this respect is recognised in the consolidated financial statements.

8. Property, plant and equipment

	Land & buildings	Investment property	Plant & equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2018	8,581	600	485	9,666
Additions	64	-	-	64
Reclassification	600	(600)	-	-
Disposals	-	-	(426)	(426)
At 31 December 2018	9,245	-	59	9,304
Depreciation				
At 1 January 2018	542	-	464	1,006
Charge for year	86	-	10	96
Disposals	-	-	(426)	(426)
At 31 December 2018	628	-	48	676
Net book value at 31 December 2018	8,617	-	11	8,628
Net book value at 31 December 2017	8,039	600	21	8,660

Included within land and buildings above is land with a value of £3,947,000 inclusive of leasehold land of £1,000,000.

The company has charged the freehold properties to secure bank facilities across the Group.

9. Investments

	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	570	0	570
Movement in year	-	-	-
As at 31 December 2018	570	0	570

All companies have only ordinary shares in issue and are registered in England and Wales unless otherwise stated.

The principal trading subsidiary undertakings are disclosed in note 9 of the Group consolidated financial statements.

10. Share based payments

The company operates a share based payment scheme for certain employees. These share options are granted based on seniority and length of service with share options granted in the Company. There are two Trusts in existence being an Inland Revenue approved share option scheme and an unapproved share option scheme.

The options are granted with a fixed exercise price, are exercisable three years after the date of grant and expire ten years after the date of grant. Employees are not entitled to dividends until the shares are exercised. Employees are required to remain in employment with the Company until exercise, otherwise the awards lapse. On exercise of the options by the employees the Company issues shares held in the relevant trust in operation.

	Number of shares		Weighted average exercise price	
	2018	2017	2018	2017
	No.	No.	£	£
Brought forward at 1 January	89,863	99,780	2.18	2.27
Granted	12,401	-	-	-
Lapsed	-	(9,917)	-	3.03
Outstanding at 31 December	102,264	89,863	1.92	2.18
Exercisable at the end of the year	-	-		

The Company is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes similar to this scheme.

Under FRS102, the Group recognises an expense in the relevant company's financial statements. The expense is apportioned over the vesting period based upon the number of options which are expected to vest and the fair value of those options at the date of grant. The total charge apportioned to Billington Holdings plc and recognised as expense in the year was £47,000.

11. Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	1,204	722
Other debtors	48	29
Prepayments and accrued income	25	8
Deferred tax asset	9	14
	1,286	773

Amounts owed by group undertakings are payable on demand. Interest payable on these loans is charged at a market rate. No provisions are deemed to be required against the outstanding amounts.

12. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loans	250	250
Trade creditors	429	149
Amounts owing to group undertakings	3,064	4,555
Social security and other taxes	60	54
Accruals and deferred income	545	427
Current taxation	16	28
	4,364	5,463

Amounts owed to group undertakings are payable on demand. Interest payable on these loans is charged at a market rate.

13. Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Bank loans and mortgages	1,500	1,750
Bank loans are repayable as follows:		
Within one year	250	250
Between one to two years	1,500	250
Between two to five years	-	1,500
	1,750	2,000

The bank loans are secured by way of first legal mortgage over certain freehold properties of the Group.

14. Deferred tax asset

Deferred tax provided in the financial statements is set out below and is calculated using a tax rate of 17% (2017: 17%).

	2018	2017
	£'000	£'000
Accelerated capital allowances	7	9
Other short term timing differences	2	5
Accelerated capital allowances	9	14

The recoverability of the deferred tax asset is dependent on future Group taxable profits which the directors consider likely as a result of recently prepared financial forecasts.

15. Called up share capital

Equity	2018		2017	
	Number of shares	£'000	Number of shares	£'000
Authorised				
Ordinary shares of 10p each	27,500,000	2,750	27,500,000	2,750
Allotted and fully paid				
Ordinary shares of 10p each	12,860,959	1,286	12,860,959	1,286
"A" ordinary shares of 10p each	73,368	7	73,368	7
	12,934,327	1,293	12,934,327	1,293

Both classes of share rank pari passu in all respects.

Details of company share options outstanding at 31 December 2018 and treasury shares held by the ESOT are given in note 10 of the Group financial statements.

16. Reserves

Share premium - represents the premiums received on issue of share capital.

Capital redemption reserve - represents the accumulated balance resulting from the Company's purchase of own shares.

Other reserve - represents the accumulated balance of share capital held by the Employee Share Ownership Trust.

Retained earnings - includes all current and prior period retained profits and losses.

17. Ultimate controlling related party

At the year end, the directors considered that the Company had no ultimate controlling party.

18. Leasing commitments

Future operating lease payments are as follows:	2018 Land & buildings	2018 Other	2017 Land & buildings	2017 Other
	£'000	£'000	£'000	£'000
within one year	-	50	-	38
between one and five years	-	18	-	59
	-	68	-	97

19. Retirement benefits

The company operates funded pension schemes for certain employees and directors. The total contributions to all pensions by the company for the year was £49,000 (2017: £57,000).

Defined contribution schemes accounted for £49,000 (2017: £57,000) of this amount with £nil (2017: £nil) relating to defined benefit schemes, where the benefits are based on final pensionable pay.

20. Related party transactions

No transactions took place with any companies with which the Group has common directors during the year. There were no outstanding balances with any such related parties at either the opening or closing balance sheet dates.

In accordance with FRS102 Billington Holdings plc is exempt from disclosing related party transactions with its wholly owned subsidiaries.

21. Contingent liabilities

The company is part of the group cross guarantee to the principal bankers. At the year end there were no outstanding liabilities.